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THE UNIVERSAL SYSTEM

OF

PRACTICAL BOOKKEEPING

BY

C. SNYDER

EXPERT ACCOUNTANT, AND PRINCIPAL OF THE CHICAGO SCHOOL OF BOOKKEEPING

AND

ERNEST L. THURSTON

HEAD OF DEPARTMENT OF BOOKKEEPING AND BUSINESS PRACTICE
WASHINGTON (D.C.) BUSINESS HIGH SCHOOL

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PREFACE

THIS work is designed as a text-book on theoretical and practical Double-entry Bookkeeping, and is planned for use in public and private schools and colleges, and for self-instruction.

With a view to facilitating the study and mastery of the fundamental principles of the subject, the theoretical part of the work is made as concise as possible, all unnecessary or unimportant matter being omitted. At the same time, subjects of importance to a broad knowledge of the science, but generally neglected in other text-books, are here given the careful treatment their importance warrants.

In the short graded exercises and in the detailed business series the principles of bookkeeping are applied, as they are mastered, to office practice, to the recording of practical business transactions, and to the ordinary routine of mercantile business. The series gives practice, not only in the use of general and auxiliary books of entry and record, but of many common business forms and papers as well.

Thus made familiar with the daily run of office business and with the duties pertaining to positions he may be called upon to fill, the student will be able to meet the requirements of his first situation without the difficulty which so many beginners experience from lack of business knowledge or actual preliminary office training.

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THE UNIVERSAL SYSTEM

OF

PRACTICAL BOOKKEEPING

PART I. FUNDAMENTAL PRINCIPLES OF BOOKKEEPING

SECTION I. DEFINITIONS AND DIVISIONS

1. Bookkeeping is the art of recording the transactions of a business in so systematic a manner that its condition can be determined at any time.

2. Double-entry Bookkeeping is a system in which a double entry is made for every transaction. The entry usually consists of one debit and one credit of equal value. Sometimes there are several debits, or several credits, or both, but in every case the sum of the debits equals the sum of the credits.

3. Accounts. An account is a concise record of the business transactions connected with a certain thing or subject, or with a certain person or company. (See, for instance, the Cash account on page 6, and the account of C. G. Field & Co., on page 14.) In every account the debits are entered on the left-hand side and the credits on the right-hand side. The accounts are the most important records in bookkeeping.

4. The Fundamental Processes of bookkeeping consist of Journalizing and Posting.

5. Journalizing is the process of determining the debits and credits involved in business transactions, and of so recording them that they may be easily transferred to the accounts to which they refer.

6. Posting is the process of transferring the debits and credits thus journalized to the Ledger, the book which contains the accounts.

SECTION II. ACCOUNTS

Definitions

7. Accounts. An account consists of an item, or a collection of items, under a distinct name, so arranged as to indicate the result of business transactions. It has two sides, Debit and Credit. The left-hand side is the debit, and the right-hand side the credit.

8. The Balance is the difference between the two sides of an account. If one side is blank, the balance equals the sum of the items of the other side. An account balances when the two sides are equal.

9. Cash Account, as its name implies, shows what money has been received and has been paid out.

All cash received is entered on the debit side, and all cash paid out is entered on the credit side. The balance, if on the debit side, indicates the cash on hand.

Dr. CASH Cr.

Received		Paid out	
Investment,	1500 00	Rent of store,	75 00
For 10 bbls. Apples,	50 00	For Desk and Chairs,	35 00
For 100 bbls. Flour,	600 00	Pay Roll,	150 00
For Note of E. A. Frost,	75 00	For 200 bbls. Flour,	800 00
Interest on above note,	7 50	For Note to Lord & Son,	150 00
For Note of C. G. Trude,	175 00	Interest on above note,	9 00
Interest on above note,	3 50		1219 00
1192.00	2411 00		

10. Merchandise Account indicates the cost of goods purchased. It is used by almost all firms, although a few, owing to the nature of their business, find it of little value and discard it in favor of other accounts. In the dry goods trade, grocery trade, etc., a Merchandise account is essential.

It is debited for the cost of goods purchased and credited for goods returned by the firm, or for any shortage or overcharge allowed to the firm. It is credited also, at stated periods, with the balance of Sales account.

Dr. MERCHANDISE Cr.

Bought			
50 bbls. Apples,	150 00		
200 bbls. Flour,	800 00		
25 bags Coffee,	525 00		
	1475 00		

11. Sales Account shows the total sales of a business.

The account is credited when goods are sold, and it is debited when goods are returned to the firm, or when there is a shortage or overcharge allowed by the firm. At stated periods, in order to ascertain the loss or gain on goods sold, the balance is transferred to Merchandise account by debiting this account and crediting Merchandise account.

Dr. SALES Cr.

		Sold	
		10 bbls. Apples,	50 00
		100 bbls. Flour,	600 00
		15 bbls. Apples,	75 00
		10 bags Coffee,	350 00
			1075 00

12. Expense Account indicates various expenditures incurred in conducting the business. In a small business it is customary to include in Expense account all items which come under such headings as Freight, Express, Fuel, Gas, Stationery, Rent, Labor, Office Salary, etc. In

a large business a separate account is opened for each of these subjects and for other expenses, such as Cartage, Interest, Discount, Exchange, etc.

Expense account is debited when any such expense is incurred by the firm, and is credited if the same produces returns after Expense account is debited for it.

DR. EXPENSE CR.

EXPENDITURES			
Rent,	75	00	
Desk and Chairs,	35	00	
Pay Roll,	150	00	
	260	00	

13. Interest and Discount Account is debited when interest or discount is paid or allowed by the firm, and is credited when interest or discount is paid or allowed to the firm.

DR. INTEREST AND DISCOUNT CR.

ALLOWED BY US			ALLOWED TO US		
Interest on note to Lord & Son,	9	00	Interest on note of E. A. Frost,	7	50
			Interest on note of C. G. Trude,	3	50
			2.00	11	00

14. Bills Receivable Account shows the amount of notes (page 92) received from other firms, and time drafts (page 89) payable to the firm and accepted by other firms.

When these notes are received and the time drafts accepted, the Bills Receivable account is debited, and when they are paid, discounted, or sold the account is credited. If a note is returned to the maker for a new note, the account is credited. In the latter case the account of the maker is debited with the old note, and is also credited with the new note, thus showing the full transaction in both accounts.

The amount debited or credited in Bills Receivable account is always the face of the note or draft. The difference between face and payment, if any, is either interest or discount, and is credited or debited in the Interest and Discount account. The face of any note or draft is always debited in Bills Receivable account before it is credited.

The balance of the account indicates the amount of paper on hand. The account balances whenever all the notes and drafts have been paid or disposed of.

DR. BILLS RECEIVABLE CR.

RECEIVED OR ACCEPTED			DISPOSED OF		
E. A. Frost,	75	00	E. A. Frost,	75	00
W. B. Murray,	175	00			
C. G. Trude,	175	00	C. G. Trude,	175	00
175.00	425	00			

15. Bills Payable Account shows the amount of notes given, and drafts accepted, by the firm.

When the firm gives a note or accepts a draft, the account is credited, and when the note or draft is paid the account is debited. If a note is returned for renewal, the account

is debited. In the latter case the account of the payee is credited with the old note and also debited with the new note, thus showing the full transaction in both accounts.

The amount credited or debited in Bills Payable account is always the face of the note or draft. The difference between face and payment, if any, is either interest or discount, and should be debited or credited in the Interest and Discount account. Bills Payable account is always credited with the face of any note or draft before it is debited.

The balance shows the firm's written obligations outstanding. The account balances whenever all the notes and drafts have been redeemed.

DR. BILLS PAYABLE CR.

REDEEMED		ISSUED OR ACCEPTED	
Lord and Son,	150 00	Lord and Son,	150 00
		Wood and Co.,	525 00
		525.00	675 00

16. Loss and Gain Account receives, at stated periods, all balances of accounts which show losses or gains, for the purpose of determining the net loss or net gain.

The losses are debit balances, and are transferred from such accounts as show a decrease in the value of the firm's property, an excess in the cost of production, and the general expenses of conducting the business.

The gains (profits) are credit balances, and are transferred from such accounts as show an increase in the value of the firm's property and the excess of sales or returns.

DR. LOSS AND GAIN CR.

LOSSES		GAINS	
Expense,	260 00	Merchandise,	350 00
		Interest and Discount,	2 00
		92.00	352 00

17. Stock Account. — The amount invested by the proprietor in a business is always credited to his investment account, which is called his Stock account.

The balance of this account represents the Present Worth of the proprietor's business, and is equal to the difference between the Resources (that which is due the proprietor in property, merchandise on hand, notes, and personal accounts) and the Liabilities (that which he owes, such as notes and personal accounts).

DR. JOHN FULLER (Stock) CR.

WITHDREW		INVESTMENT	
		Cash,	1500 00
		Gain,	92 00
			1592 00

TO THE TEACHER. — Before taking up Exercise 1, the students should be familiar with the common forms of notes and drafts, and should understand the meaning of the term "acceptance." See pages 88–93.

EXERCISE 1

Rule in a blank book nine skeleton accounts and enter the following items, according to the foregoing illustrations. For illustration of script, see pages 10, 11.

Cash. — Amount invested, $1500. Paid for rent, $75. Paid for stationery, $15. Paid for stock of groceries, $500. Received of John Smith, $75. W. B. Ray & Co. paid their note, $58. Received for cash sales, $175. Paid for services, $75. Paid for gas, $9.50. Received cash for J. B. Miller's note, $162.50. Paid railroad fare, $1.25. Borrowed from the bank on my note, $194.25. Paid for postage stamps, $4.00. Paid freight charges, $2.75. Paid draft of Reid, Smith & Sons, $175.50.

Merchandise. — Bought, for cash, stock of groceries valued at $500. Bought 10 barrels apples for $35, and gave in payment Mrs. W. B. Warren's note. Bought of Reid, Smith & Sons, on our acceptance, bill of goods amounting to $175.50. Bought of Fuller & White, on our note, bill of goods amounting to $150.

Sales. — Sold John Smith, for cash, bill of goods amounting to $78.75. Sold H. M. Watson & Co., on their note, bill of goods amounting to $165. Sold W. B. Ray & Co., on their note, bill of goods amounting to $55. Sold M. E. Kimball & Co., on account, bill of goods amounting to $200. M. E. Kimball & Co. returned 5 barrels flour, $25. Sold merchandise, for cash, as per cash sales checks, $175.

Expense. — Paid for rent, $75. Paid for services, $75. Paid for gas, $9.50. Paid for stationery, $15. Paid for railroad fare, $1.25. Paid for postage stamps, $4. Paid freight charges, $2.75.

Interest and Discount. — Allowed discount to John Smith on bill of goods, $3.75. Received cash for interest on W. B. Ray & Co's. note, $3. The bank discounted our note, deducting 6% discount, $5.75. Paid discount on J. B. Miller's note, $2.50.

Bills Receivable. — In the safe are the following notes: J. B. Miller, $165; Cleveland Supply Co., $155.75; Mrs. W. B. Warren, $35. Received of H. M. Watson & Co., to balance account, their note for $165. Received of W. B. Ray & Co., to balance account, their note for $55. Sold J. B. Miller's note, $——. M. E. Kimball & Co's. draft, payable to the proprietor at 15 days' sight for $175, to balance account, is accepted by the drawee. W. B. Ray & Co. paid their note, $——. Gave Mrs. W. B. Warren's note, $——, in payment for a bill of goods.

Bills Payable. — Gave Fuller & White our note for $150, in payment for a bill of goods. Accepted five days' sight draft drawn on us by Reid, Smith & Sons, for a bill of groceries amounting to $175.50. Borrowed of the Students' National Bank $200, giving the bank our note for the amount. Paid Reid, Smith & Sons' draft, $——.

Stock. The proprietor (the student) invested cash, $1500 and three notes, which were placed in the safe, amounting to $355.75.

NOTE. — The following process will enable the student to find out whether the sum of all the debits equals the sum of all the credits in the accounts of Exercise 1.

First. Add the items on each side of each account, writing the sum in pencil; and determine the balance of the account. On the greater side write the balance (if the account has items on both sides) in small figures below the written items. (See illustrations on pages 6, 7, 8.)

Second. Prepare a page with two money columns at the right-hand side. Name the first column debit and the other credit. Copy the titles and balances, entering each balance in the column in which it appears in its account. When all the balances have been copied, rule and add the columns, whose footings will agree if the accounts have been debited and credited correctly. (See illustration on page 27.)

18. The process described in the above note is called "taking off a trial balance." It is an important test of the bookkeeper's accuracy; for whenever the footings of the trial balance are unequal, it shows that a mistake has been made.

Ledger

D. C. Mason (Stock)

DR.				CR.		
Balance (Pres. worth)	5201	25	Cash	3000	00
			Merchandise	2000	00
			Gain	201	25
	5201	25		5201	25
			Balance	5201	25

Cash

DR.				CR.		
Investment	3000	00	Safe, Desk & Chairs	95	00
40 bus. Potatoes	45	00	20 bbls. Apples	75	00
5 bbls. Apples	25	00	Rent of Store	75	00
	3070	00	Pay Roll	150	00
				395	00

Merchandise

DR.				CR.		
Invest. 400 bbls. Flour	2000	00	Sales	1570	00
20 bbls. Apples	75	00	Inventory	1476	25
600 bus. Potatoes	450	00			
Loss and Gain	521	25			
	3046	25		3046	25

Sales

DR.				CR.		
Merchandise	1570	00	200 bbls. Flour	1500	00
			5 " Apples	25	00
			40 bus. Potatoes	45	00
	1570	00		1570	00

Expense

DR.				CR.		
Rent	75	00	Loss and Gain	320	00
Pay Roll	150	00			
Safe, Desk & Chairs	95	00			
	320	00		320	00

Ledger — *Continued*

Bills Receivable

DR.				CR.		
G. Sidney & Co.	350	00				
M. A. Lord & Co.	500	00				
D. C. Flood & Co.	650	00				
	1500	00				

Bills Payable

DR.				CR.		
			Wells Bros. Co.	200	00	
			G. M. Shields	250	00	
				450	00	

Loss and Gain

DR.				CR.		
Expense	320	00	Merchandise	521	25	
Net Gain (D. C. Mason)	201	25				
	521	25		521	25	

NOTE. — If the transactions of Exercise 1 were entered correctly, the trial balance should be the same as the following:

Trial Balance

PAGE		DEBIT	CREDIT
	Cash,	1306 75	
	Merchandise,	860 50	
	Sales,		648 75
	Expense,	182 50	
	Interest and Discount,	9 00	
	Bills Receivable,	495 75	
	Bills Payable,		350 00
	Stock,		1855 75
		2854 50	2854 50

The student should explain to the teacher, from the trial balance, what is indicated by the balance of each account.

19. To Find the Present Worth (Exercise 1). *First.* — Find out which accounts show a loss or a gain, and transfer the balance of each (representing the loss or the gain) to Loss and Gain account, as follows : —

(*a*) Transfer the balance of Sales account to Merchandise account by entering it first in red ink on the debit side of Sales account, and afterward in black ink on the credit side of Merchandise account. (See note below, and see illustration in Sales and Merchandise accounts on page 10.) Since the balance of our Sales account is $648.75, these entries will be as follows : On the debit side of Sales account, " Merchandise 648.75 " ; and on the credit side of Merchandise account, " Sales 648.75." Next, in Merchandise account insert in red ink on the credit side the total value of the goods remaining unsold (called " Inventory "), $441.25. (For style of entry, see illustration, page 10.) Next, add and find the balance, which is a gain, as it is on the credit side. Next, transfer this amount to Loss and Gain account by entering it first in red ink on the debit side of Merchandise account and then in black ink on the credit side of Loss and Gain account. (For style of entries, see illustration, pages 10 and 11.)

(*b*) Transfer the balance of Expense account to Loss and Gain account by entering the balance first in red ink on the credit side of Expense account, and then in black ink on the debit side of Loss and Gain account. (See illustration, pages 10 and 11.)

(*c*) Transfer the balance of Interest and Discount account to Loss and Gain account by entering the balance first in red ink on the credit side of Interest and Discount account, and then in black ink on the debit side of Loss and Gain account.

Second. — When all losses and gains have been transferred to Loss and Gain account, determine whether the business has lost or gained. Next, transfer the balance to the Stock account by balancing Loss and Gain account. (See illustration, pages 10 and 11.)

Third. — Rule off Merchandise account and bring down the inventory to the debit side, writing it in black ink. Next, rule off with red ink lines Expense account, Interest and Discount account, Sales account, and Loss and Gain account. (See note below, and illustration, pages 10 and 11.)

Now insert in red ink on the debit side of Stock account its present worth (balance); then rule and add. Next, bring down the balance in black ink to the opposite side from that of the red ink entry. (See illustration, page 10.) Finally, report to the teacher the present worth of the business.

NOTE. — When red ink is used in accounts, such as are mentioned above, it signifies that no actual transaction is represented by the item, and that no corresponding entry has yet been made. In order to make the entry double, the amount must later be entered (in black ink) either on the opposite side of the same account (after it is ruled) or in some account to which the amount has been transferred, as the case may be.

The lines used for ruling off accounts should be made with red ink. The double line drawn under the totals (see pages 10 and 11) signifies a new beginning for the account; when the account is next footed up, the items above the double line are not to be included.

CLASSIFICATION OF ACCOUNTS

20. Accounts are divided into two classes, — Representative and Personal.

21. Representative Accounts are those accounts of a business which represent the firm and designate the character of its transactions. Examples: Cash, Merchandise, Sales, Expense, Furniture and Fixtures, Bills Receivable, etc.

A representative account is debited when the firm receives anything of value, and it is credited when the firm gives out anything of value.

For example, when cash is received, Cash account is debited; when merchandise is sold, Sales account is credited; when postage stamps are bought, Expense account is debited; when discounts are deducted and allowed by the firm, Discount account is debited.

22. Personal Accounts are the ones with individuals, firms, and corporations, and show their relations with the business.

The debit side of a personal account denotes the Debtor — one who owes the firm; and the credit side the Creditor — one whom the firm owes.

A personal account is debited when the person represented receives anything of value from the firm, and is credited when he gives any valuable thing to the firm.

For example, when John Seymour & Co. receive merchandise on account, John Seymour & Co.'s account is debited; when C. B. Lord renders services, his account is credited; when he is paid for them in cash, his account is debited.

Classification of Personal Accounts

23. Personal accounts are divided into five or more classes, viz.: The accounts of Partners, Traveling Agents, Consignors or Consignees, Customers, and those from whom the firm buys its goods.

24. The Partners' Accounts. — Each of the partners in a firm has at least two accounts, as follows: —

1. The partner's Stock account is credited with his investment in the business, such as cash, merchandise, bills receivable, etc. It is also credited with his share of the net gain, or debited with his net loss.

Dr. M. A. YORK (Stock) Cr.

Received		Gave	
		Cash,	1500 00
		Note,	300 00

2. The partner's Private (personal) account is debited with the money drawn out for personal use, and is credited with salary (the fixed amount at which *services* are valued), at the end of each month. No partner is supposed to draw more than his salary, unless by mutual consent.

Dr. M. A. YORK (Private) Cr.

Received		Gave	
Cash,	15 00	Salary (*i.e.* services),	150 00
Cash,	75 00		

25. The Traveling Agents' Accounts. — Each of the traveling agents has two or more accounts: —

1. His Expense account is debited with all mileage books, railroad tickets, and moneys furnished him by the firm for expenses, and is credited, at the end of the month, with the statement of his expenses.

W. A. SEYMOUR (Expense)

Received		Gave	
Mileage Book,	50 00	Traveling Expense,	135 00
Cash,	100 00		

2. His Private (salary) account is debited with all money drawn out for private use, and is credited with salary at the end of each month.

W. A. SEYMOUR (Personal)

Received		Gave	
Cash,	50 00	Salary (*i.e.* services),	150 00
Cash,	35 00		

Note. — A traveling agent may have, besides the two accounts mentioned, a Commission account, a Sample account, and a Collection account.

26. The Consignment Accounts indicate the value of merchandise shipped or received on consignment. The distinction between consignment and other accounts is made to enable one to know what goods are on consignment and what are not on consignment, but to be paid for at a fixed price and at a given time. (Merchandise when shipped or received on consignment is not paid for until sold.)

C. G. ROBINSON (Consignment)

Received		Gave	
25 bbls. Flour,	125 00	Cash,	100 00
10 bbls. Apples,	40 00		

Note. — When more than one consignment is shipped to a firm, each one should be numbered. A separate account is generally kept of each consignment.

27. The Customers' Accounts are the accounts of the parties to whom goods are sold on credit.

C. G. FIELD & CO.

Received		Gave	
10 bbls. Sugar,	162 50	Cash,	100 00
5 bbls. Apples,	25 00	2 bbls. Apples ret'd,	10 00
6 bbls. Apples,	27 00		
1 bbl. Flour,	5 00		

28. The Purchase Accounts are the accounts of the parties from whom goods are purchased.

MURDOCK & CO.

Received		Gave	
Cash,	400 00	50 bbls. Sugar,	487 50
Note,	202 50	25 bbls. Apples,	75 00
		10 bbls. Flour,	40 00

Note. — The distinction between Customers' accounts and Purchase accounts is a matter of convenience in a large business; but in a small one it might not be made.

EXERCISE 2

Rule, in proper form, eighteen skeleton accounts, allowing ten lines for Cash account and five lines each for all other accounts, and then debit and credit the necessary accounts in each of the following transactions:

(The name of the firm is D. C. Clark & Co. The partners are D. C. Clark and M. A. Carter. The partners invest equally and the net gain or the net loss is to be divided equally.)

1. D. C. Clark invests cash, $1500.
2. M. A. Carter invests cash, $1500.
3. Bought merchandise of C. M. Hay & Co. on account, as shown by their invoice (see page 86), $268.75.
4. Shipped merchandise to the following firms on account: —
   C. M. Frost & Co. as per invoice rendered, $100.
   A. B. Rider as per invoice rendered, $275.
5. A. B. Rider returned merchandise as defective, amounting to $27.50.
6. Bought merchandise of W. B. Sanborn, on account, as per his invoice, $250.
7. Gave to C. M. Hay & Co., in full payment of account, our note for $268.75.
8. Received of A. B. Rider, to apply on his account, cash, $47.50.
9. Received of A. B. Rider, to balance his account, his note for $200.
10. Paid our note in favor of C. M. Hay & Co. $——.
11. Gave W. A. Seymour, our traveling agent, for expenses, cash, $100.
12. Paid M. A. Carter (partner) on account, $150.
13. Paid for rent, $100.
14. Paid for help in store, $48.50.
15. Shipped to A. B. Rider, on consignment, bill of merchandise amounting to $150.
16. Gave Mrs. W. A. Seymour $75, charging it to Mr. Seymour's account.
17. Accepted W. B. Sanborn's draft on us for $250, to balance account.
18. Gave W. A. Seymour credit for one month's salary, $75.
19. Credited the account of each partner with one month's salary, $150.

EXERCISE 3

1. Draw off a trial balance. (See page 9.) 2. Ascertain whether the business has gained or lost (merchandise remaining unsold — Inventory — is $300), and transfer the net gain or net loss to the Stock accounts, dividing it between the partners.

Classification of Balances

29. Balances are divided into four classes: Resources, Liabilities, Losses, and Gains.

30. The Resources (Assets) indicate what the firm owns.

Resources are debit balances of the debtors' accounts, bills receivable, cash on hand, and the inventories of such of the representative accounts as are charged with stock or property on hand.

31. The Liabilities indicate what the firm owes.

Liabilities are credit balances of the creditors' accounts and bills payable.

32. When the resources are in excess of the liabilities the firm is **solvent** (able to pay all debts), but when the liabilities are in excess of the resources it is **insolvent** (unable to pay all debts).

33. The Losses are the debit balances of such representative accounts as show a decrease in the value of the property, an excess in the cost of production, and the general expenses of conducting a business; also such bills receivable and the balances of such debtors' accounts as are considered worthless.

34. The Gains (Profits) are credit balances of such representative accounts as show increase in the value of the property, and an excess of sales or returns.

35. When the losses are in excess of the gains the business shows a **net loss**, but when the gains are in excess of the losses it indicates a **net gain**.

EXERCISE 4

Prepare two pages with two columns each at the right-hand side. Name one page Resources and Liabilities, and the other Losses and Gains.

Examine the following accounts and copy the resources and the liabilities on their special statement. First, copy the resources, entering their amounts in the debit column. Next, copy the liabilities, entering the amounts in the credit column. Then draw a line and add each column to ascertain whether the business is solvent or insolvent. Next, write the balance of the Stock account in the proper column, and add again, which should make the footings equal. Now take off the losses and gains, making a copy of the Loss and Gain account. First, copy the losses, entering the amounts in the debit column. Next, copy the gains, entering the amounts in the credit column, and write the net loss, with its amount, in red ink. Finally add the columns, whose footings will be the same as those of the Loss and Gain account.

Ledger

D. C. WALLACE (Stock)

Loss,	171 50	Cash,	2000 00
Balance (Present Worth),	7828 50	Merchandise,	1000 00
		Real Estate,	5000 00
	8000 00		8000 00
		Balance,	7828 50

CASH

D. C. Wallace,	2000 00	Pay Roll,	175 00
W. B. Cook & Co.,	200 00	Rent,	150 00
	2200 00	Furniture and Fixtures,	75 00
		A. M. Gibson,	150 00
			550 00

MERCHANDISE

D. C. Wallace,	1000 00	Sales,	358 00
Loss and Gain,	233 50	Inventory,	875 50
	1233 50		1233 50
Inventory,	875 50		

Ledger —*Continued*

EXPENSE

Rent,	150	00	Loss and Gain,	400	00
Pay Roll,	175	00			
Traveling Expense,	75	00			
	400	00		400	00

SALES

George Price Co.,	7	50	W. B. Cook & Co.,	300	00
Merchandise,	358	00	George Price Co.,	65	50
	365	50		365	50

FURNITURE AND FIXTURES

Desks and Chairs,	75	00	Inventory,	70	00
			Loss and Gain,	5	00
	75	00		75	00
Inventory,	70	00			

REAL ESTATE

D. C. Wallace,	5000	00	Inventory,	5000	00
Inventory,	5000	00			

A. M. GIBSON (Expense)

Cash,	150	00	Traveling Expenses,	75	00

W. B. COOK & CO., St. Louis, Mo.

Sales,	300	00	Cash,	200	00

GEORGE PRICE CO., Rockford, Ill.

Sales,	65	50	Goods Returned,	7	50

LOSS AND GAIN

Expense,	400	00	Merchandise,	233	50
Furniture and Fixtures,	5	00	D. C. Wallace (Net Loss),	171	50
	405	00		405	00

QUESTIONS

1. What is Bookkeeping? 2. What is meant by Double-entry Bookkeeping? 3. Name the fund mental processes and define each one. 4. What is an account? 5. What is the balance of an account 6. When does an account balance? 7. What is shown by Cash account? 8. When is it debited and whe credited? 9. What account shows the cost of goods purchased? 10. Explain its debit and credit side 11. What does Sales account represent? 12. When is its balance transferred to Merchandise account 13. What is charged to Expense account? 14. Mention some items that are generally charged to Expens account when separate accounts are not desired. 15. When is Interest and Discount account opened 16. What does Bills Receivable account contain? 17. What is shown by Bills Payable account? 18. I what account are entered at stated periods the losses and gains in a business? 19. Mention some items tha would be entered on the debit side of Loss and Gain account. 20. What accounts show gains? 21. Nam and explain the accounts which show the investments in a business. 22. How are accounts classified? 23. Te what each class represents. 24. Into how many classes are personal accounts divided? Name then 25. How many accounts should each partner have? 26. Which account shows the investment? 27. On whic side of the account is the gain entered and on which side the loss? 28. Define the traveling agents' account 29. When are consignment accounts necessary? 30. Give a transaction for which a customer's account must b opened. 31. A purchase account. 32. How are balances classified? 33. What are assets? 34. Mention som items that are classed as assets. 35. What are liabilities? 36. How are they distinguished on the Ledger 37. When is a firm solvent and when insolvent? 38. What accounts show losses and what show gains 39. When the gains are in excess of the losses what does it indicate? 40. What is the rule for determinin whether a representative account is to be debited or credited? 41. A personal account? 42. What items ar entered in red ink, and what does the use of red ink indicate?

SECTION III. JOURNALIZING

36. Journalizing is the process of determining the debits and credits involved in busines transactions, and of so recording them that they may be easily transferred to the accounts t which they refer.

37. In journalizing a transaction there are always at least two accounts involved : one i usually a representative and the other a personal account, or both accounts may be representative Sometimes there are more than two. For example : —

DEBIT.	CREDIT.	DR.	CR.
Merchandise		26.75	
	W. M. Graham		26.75
Invoice, January 5.			
D. M. Pierce		25.00	
	Sales		25.00
Sold 5 barrels apples at $5.			
	D. C. Clark Stock		1000.00
Merchandise		500.00	
Bills Receivable		500.00	
Investment as per contract.			
Merchandise		120.50	
	F. C. Murdock		95.50
Invoice, February 15 50.00			
Invoice, February 18 45.50			
	Wheeler & Co.		25.00
Invoice, February 4 25.00			

Bills Receivable	500.00	
Merchandise	500.00	
——— Bills Payable		200.00
——— C. G. Mills Stock		800.00
Investment as per contract.		

Debits and Credits — How Determined

38. An Original Entry is a record of one or more debits and one or more credits, followed by a sufficient explanation. The sum of the debits must always equal the sum of the credits.

39. General rules for journalizing: —

1. *Debit* (charge) a representative account with what is received by the firm. *Credit* a personal account with what the person gives to the firm, or for the firm's use.

Ex. — Bought of R. T. Cooper one house and lot for $8000.

Real Estate account (representative) is debited because the property is bought (received) by the firm, and R. T. Cooper's account (personal) is credited because R. T. Cooper sells (gives) it to the firm. The entry is thus: —

Real Estate	8000.00	
——— R. T. Cooper		8000.00
Bought one house and lot.		

2. *Debit* (charge) a personal account with what the person receives from the firm. *Credit* a representative account with what the firm gives out.

Ex. — Shipped to John Sawyer & Co. 5 barrels apples, $25.

John Sawyer & Co.'s account (personal) is debited because John Sawyer & Co. receive the goods, and Sales account (representative) is credited because the firm sells the goods (gives them out). The entry is thus: —

John Sawyer & Co.	25.00	
——— Sales		25.00
Sold 5 barrels apples.		

3. *Debit* or charge the account which receives an amount. *Credit* the account which gives out an amount. This is the general rule; it includes both the above, and also such transactions as the following: —

Ex. — Bought 200 bushels potatoes for $120 in cash.

Merchandise account (representative) is debited because the potatoes are purchased (received) by the firm, and Cash account (representative) is credited because the firm pays the money (gives out the cash). The entry is thus: —

Merchandise	120.00	
——— Cash		120.00
Bought 200 bushels potatoes.		

The Journal

40. The Journal should contain all the original entries of the transactions of a business, provided it is the only Book of Original Entry. It has two columns on the right-hand side of the page. The left-hand column is the debit and the right-hand column the credit.

Large houses and many smaller ones distribute their original entries among several different books, which will be explained later.

QUESTIONS

1. What is Bookkeeping? 2. What is meant by Double-entry Bookkeeping? 3. Name the funda mental processes and define each one. 4. What is an account? 5. What is the balance of an account 6. When does an account balance? 7. What is shown by Cash account? 8. When is it debited and whe credited? 9. What account shows the cost of goods purchased? 10. Explain its debit and credit side 11. What does Sales account represent? 12. When is its balance transferred to Merchandise account 13. What is charged to Expense account? 14. Mention some items that are generally charged to Expens account when separate accounts are not desired. 15. When is Interest and Discount account opened 16. What does Bills Receivable account contain? 17. What is shown by Bills Payable account? 18. I what account are entered at stated periods the losses and gains in a business? 19. Mention some items tha would be entered on the debit side of Loss and Gain account. 20. What accounts show gains? 21. Nam and explain the accounts which show the investments in a business. 22. How are accounts classified? 23. Te what each class represents. 24. Into how many classes are personal accounts divided? Name them 25. How many accounts should each partner have? 26. Which account shows the investment? 27. On whic side of the account is the gain entered and on which side the loss? 28. Define the traveling agents' account 29. When are consignment accounts necessary? 30. Give a transaction for which a customer's account must b opened. 31. A purchase account. 32. How are balances classified? 33. What are assets? 34. Mention som items that are classed as assets. 35. What are liabilities? 36. How are they distinguished on the Ledger 37. When is a firm solvent and when insolvent? 38. What accounts show losses and what show gains 39. When the gains are in excess of the losses what does it indicate? 40. What is the rule for determinin whether a representative account is to be debited or credited? 41. A personal account? 42. What items ar entered in red ink, and what does the use of red ink indicate?

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DEBIT.	CREDIT.	DR.	CR.
Merchandise		26.75	
	W. M. Graham		26.75
Invoice, January 5.			
D. M. Pierce		25.00	
	Sales		25.00
Sold 5 barrels apples at $5.			
	D. C. Clark Stock		1000.00
Merchandise		500.00	
Bills Receivable		500.00	
Investment as per contract.			
Merchandise		120.50	
	F. C. Murdock		95.50
Invoice, February 15 50.00			
Invoice, February 18 45.50			
	Wheeler & Co.		25.00
Invoice, February 4 25.00			

Bills Receivable		500.00	
Merchandise		500.00	
	Bills Payable		200.00
	C. G. Mills Stock		800.00
Investment as per contract.			

Debits and Credits — How Determined

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39. General rules for journalizing: —

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Ex. — Bought of R. T. Cooper one house and lot for $8000.

Real Estate account (representative) is debited because the property is bought (received) by the firm, and R. T. Cooper's account (personal) is credited because R. T. Cooper sells (gives) it to the firm. The entry is thus: —

Real Estate		8000.00	
	R. T. Cooper		8000.00
Bought one house and lot.			

2. *Debit* (charge) a personal account with what the person receives from the firm. *Credit* a representative account with what the firm gives out.

Ex. — Shipped to John Sawyer & Co. 5 barrels apples, $25.

John Sawyer & Co.'s account (personal) is debited because John Sawyer & Co. receive the goods, and Sales account (representative) is credited because the firm sells the goods (gives them out). The entry is thus: —

John Sawyer & Co.		25.00	
	Sales		25.00
Sold 5 barrels apples.			

3. *Debit* or charge the account which receives an amount. *Credit* the account which gives out an amount. This is the general rule; it includes both the above, and also such transactions as the following: —

Ex. — Bought 200 bushels potatoes for $120 in cash.

Merchandise account (representative) is debited because the potatoes are purchased (received) by the firm, and Cash account (representative) is credited because the firm pays the money (gives out the cash). The entry is thus: —

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	Cash		120.00
Bought 200 bushels potatoes.			

The Journal

40. The Journal should contain all the original entries of the transactions of a business, provided it is the only Book of Original Entry. It has two columns on the right-hand side of the page. The left-hand column is the debit and the right-hand column the credit.

Large houses and many smaller ones distribute their original entries among several different books, which will be explained later.

41. "**Sundries,**" in bookkeeping, means more than one. This word is used in making such Journal entries as have more than one debit, or more than one credit, or both. It indicates that under it the names of the accounts will appear. Thus : —

Sundries	Sundries		
Merchandise		340.00	
Expense		40.00	
	Walter Ellis		300.00
	Cash		80.00
	Invoice, March 5.		

Journal

1

January, 1901

LEDGER PAGE		DEBIT	CREDIT	DEBIT	CREDIT
		2			
2	Cash			5000 00	
1		M. Lockwood Stock			5000 00
	Investment.				
		3			
3	Merchandise			1250 00	
7		Harvey & Perry			1250 00
	Bought 1250 bus. wheat @ $1.00				
		4			
8	White & Co.			275 00	
4		Sales			275 00
	Sold 250 bus. wheat @ $1.10				
2	Cash			75 00	
4		Sales			75 00
	Cash sales as per cash sales checks				
		7			
8	Sundries	White & Co.			275 00
2	Cash	On account		75 00	
5	Bills Receivable			200 00	
	30 day note to balance account				
		10			
7	Harvey & Perry			1000 00	
6		Bills Payable			1000 00
	Ten days' sight draft accepted				

42. "**To,**" a word which is often used in making Journal entries, may be omitted, as it has no significance.

NOTE. — When used, "To" is inserted before the name of each account credited. Similarly, in some other books, "To" is inserted before the name of an account credited, or before the items (explanation) with which an account is debited; and "By" is inserted before the name of an account debited, or before the items with which an account is credited. But it is better to omit these words.

43. Rulings. It will be noticed in the specimen Journal, page 20, that a line is left blank, or blank except for the day of the month, before each entry. So also in the Daybook below and in some other books. It is the custom with many bookkeepers (if they have ample time) to draw a horizontal red ink line in each of these blank spaces, as shown in the specimen Journal on page 20; and the student should do so in his practice work. The lines, though not essential, add to the appearance and clearness of the book.

NOTE. — Red ink ruling, for space lines, columns, or underscoring words, is effective on any business paper. The student should practice ruling at every opportunity until he can draw clean, sharp lines, either with an ordinary pen or with a bookkeeper's ruling pen.

THE DAYBOOK

44. The Daybook, sometimes called the Blotter, contains the memoranda of the transactions of a business. It is used only in small houses. From this book the bookkeeper journalizes into the Journal.

EXERCISE 5

Rule about six pages for a Journal. (See form on page 20.) Journalize the transactions noted in the Daybook on pages 21–23, in accordance with the following directions.

On the first line in the Journal write the month and the year. In the center of the line below write the day of the month. On the next line make the first entry. Observe closely the form on page 20. Write titles of debited accounts at the left, and the titles of credited accounts at the right. Leave a blank line after each entry, and insert the date whenever it changes.

Use the following representative accounts: Cash, Merchandise, Sales, Expense, Bills Receivable, Bills Payable, Furniture and Fixtures, Horses and Wagons, Interest and Discount, Commission, Traveling Expense, Loss and Gain.

Daybook

January, 19—

JOURNAL CHECK		ITEMS		TOTAL	
	2				
	Student commenced business this day, investing the following resources				
✓	Cash	1500	00		
✓	Furniture and Fixtures	500	00		
✓	Horses and Wagons	1000	00		
✓	Merchandise	3000	00	6000	00

Daybook — *Continued*

JOURNAL CHECK	January, 19–	ITEMS	TOTAL
	2		
	Bought of Parker Carpet Co.		
	On account		
	100 yards Axminster Carpet @ $1.95		195 00
	3		
	Paid rent of building for January		
	in cash		200 00
	Sold J. L. Wood & Co.		
	On account		
	250 yards Axminster @ $2.45	612 50	
	50 " Oilcloth @ .45	22 50	635 00
	5		
	Sold J. S. Newton & Co.		
	On account		
	200 yards Ingrain @ 60¢	120 00	
	200 " Lining @ 6¢	12 00	
	151¼ " Axminster @ $2.00	302 50	434 50
	Bought of Moore Bros.		
	2 cases Muslin. 2970 yds. @ 33¢		980 10
	7		
	Gave Moore Bros. my note for		
	$980.10 at 10 days, with interest		
	at 6%, to balance account		980 10
	15		
	Received of J. S. Newton & Co.		
	to balance account		
	Cash	34 50	
	Note at 30 days for	400 00	434 50
	17		
	Paid my note favor of Moore Bros.		
	Note amount	980 10	
	Interest on above	1 63	981 73
	Gave A. B. Collins, my traveling agent		
	Cash for a mileage book and expenses		150 00

Daybook — *Continued*

JOURNAL CHECK	January, 19–	ITEMS	TOTAL
	17		
	Discounted at the Students' National Bank, F.S. Newton & Co's note		
	Amount received in cash	397 67	
	Discount	2 33	400 00
	Accepted Parker Carpet Co's draft drawn on me, at five days' sight, to balance account		195 00
	Sold F.S. Newton & Co. On account		
	300 yards Velvet Carpet @ $1.45	435 00	
	150 " Alpaca @ .45	67 50	502 50
	22		
	Paid Parker Carpet Co's draft due to-day		195 00
	Sold merchandise for cash as per cash sales checks		375 00
	31		
	A.B. Collins's commission on sales during the month of January		25 00
	Paid help for January as per Pay Roll Book		200 00
	A.B. Collins's salary for month of January		75 00
	The proprietor's salary for month of January		150 00
	A.B. Collins's traveling expenses for month of January as per his expense book		98 75

NOTE. — Having journalized the foregoing transactions, the students will pass their books to the teacher for correction, before posting as required in the next exercise.

QUESTIONS

1. Define Journalizing. 2. What is the smallest number of accounts involved in a transaction? 3. Give a transaction in which is involved one representative and one personal account. 4. What is meant by an original entry? 5. Give the first rule for journalizing. 6. Illustrate it. 7. Give the second rule with an illustration. 8. Give the general rule and two illustrations. 9. Form a transaction in which two representative accounts should be debited and one personal account credited. 10. What does the Journal contain? 11. Why should not the word "To" be used? 12. Tell when the word "Sundries" is used and give an illustration. 13. What does the Daybook contain? 14. What book is written up from the Daybook?

SECTION IV. POSTING

45. Posting is the process of transferring the debits and credits, including their dates and amounts, from the Journal (or other Books of Original Entry) to the Ledger.

In posting from the Journal, the amounts in the debit column are transferred to the debit side of the proper Ledger accounts, and the amounts in the credit column to the credit side of the accounts, as each item is transferred. Write the letter "J" (for Journal) and the page number in the Ledger, and in the Journal write the number of the Ledger page.

46. The Ledger contains the accounts of a business. For a script illustration of a Ledger, see pages 62–64. The following illustration contains the items as posted from the Journal on page 20 : —

Ledger

M. LOCKWOOD (Stock) 1

1901														
						Jan.	2	Cash	J	1	5000	00

2 CASH

1901														
Jan.	2	M. Lockwood	J	1	5000	00								
	4	Sales	J	1	75	00								
	7	White & Co.	J	1	75	00								

MERCHANDISE 3

1901														
Jan.	3	Harvey & Perry	J	1	1250	00								

4 SALES

1901														
						Jan.	4	White & Co.	J	1	275	00
							4	Cash sales	J	1	75	00

Ledger — *Continued*

BILLS RECEIVABLE 5

1901														
Jan.	7	White & Co.	J	1	200	00								

6 BILLS PAYABLE

							1901							
							Jan.	10	Harvey & Perry	J	1	1000	00

HARVEY & PERRY 7

1901							1901							
Jan.	10	Bills Payable	J	1	1000	00	Jan.	3	Mdse.	J	1	1250	00

8 WHITE & CO.

1901							1901						
Jan.	4	Sales	J	1	275	00	Jan.	7	Cash	J	1	75	00
								7	Bills Receivable	J	1	200	00

EXERCISE 6

The student should now be supplied with a Ledger. In arranging the accounts, enter the stock account on the first page and the representative accounts following. Allow a page for each of these accounts. On page 15 begin to enter the personal accounts, allowing a third of a page for each account. Post the Journal of Exercise 5 in accordance with the following guide: —

Guide for Posting. — First Entry in the Journal of Exercise 5. Turn to the Ledger and open the Stock account on the first page. On the first line of the page, at the center, write the name in a bold hand. (See form on page 53.) Next, on the line below, on the credit side, enter the year, and on the next line the month and day, Jan. 2. (The explanation column, with but few exceptions, usually remains blank; it is little used in business, as the Books of Original Entry contain the entries with explanations.) Next, at the left of the page column, just outside, write the letter "J," and in the column enter the Journal page, 1, from which the item is being posted. Next, in the amount column, enter the amount, 6000.00. Then turn to the Journal and enter the Ledger page, 1, in the column at the left of the page, to indicate that the item on that line has been posted. (See form on page 20.)

Open an account with Cash on page 2. Write the word Cash on the first line near the center. On the next line, at the left-hand side, enter the year. Below, on the next line, enter the date, Jan. 2. Next, at the left of the page column, write the letter "J," and in the

column enter the Journal page, 1. Next, in the amount column, enter the amount, 1500.00. Then turn to the Journal and enter the Ledger page, 2, in the column at the left of the word Cash, to indicate that the item on that line has been posted.

Open an account with Furniture and Fixtures, arranging the name and year as in the account just mentioned. Enter on the debit side the date, Jan. 2; next, the letter "J" and the page, 1; next, the amount, 500.00; then enter the Ledger page in the Journal.

Open an account with Horses and Wagons. On the line below, on the debit side, enter the date, Jan. 2; next, enter the Journal page, J 1; next, the amount, 1000.00; then enter the Ledger page in the Journal.

Open an account with Merchandise. Enter on the debit side the date, Jan. 2; next, the Journal page, J 1; next, the amount, 3000.00; then enter the Ledger page in the Journal.

This completes the posting of the first entry. The succeeding entries should be posted in like manner. In the Bills Receivable and Bills Payable accounts it is customary to insert explanations as on page 25.

Trial Balance

47. A Trial Balance is one test of the accuracy of the Ledger. While it does not prove that each amount has been posted to the correct account, it does prove that the sum of all the debits equals the sum of all the credits in the Ledger, and hence that probably no debit item has been posted from the Journal or other Books of Original Entry without posting also the corresponding credit item, and *vice versa*.

A trial balance is supposed to be taken at the end of every month. It is practically a monthly statement of the condition of a business, and it is also the basis of all other statements.

To take off a trial balance proceed as follows: —

First. — Check the Journal with the Ledger for the purpose of discovering errors in posting, using a period (.) as a check mark in the Ledger and the Journal (or the other Books of Original Entry). An excellent rule is to check the work daily, thereby leaving little to be done at the end of the month, when there is always extra work on hand.

Second. — Add each side of each Ledger account in pencil. Determine the balance of each account and (if the account has items on both sides) write the amount in pencil, in small figures, on the greater side, in the explanation column, below the last line written. (See illustration, page 6.)

Third. — Write on Journal paper, or in the Trial Balance Book, the Ledger pages, titles, and balances, placing the balances in the columns in which they appear in the Ledger. (If there is no cash account in the Ledger, turn to the Cash Book (page 47), obtain the balance, and enter it on the trial balance as the balance of Cash account.)

Fourth. — Add each column of the trial balance. If the debit and credit footings equal each other, the Ledger balances; if not, errors have occurred.

48. Detection of Errors. — Errors may be discovered in checking the postings, in adding the items in the Ledger, in determining the balances, or in transferring the balances to the trial balance.

If the amount is divisible by 2, without a remainder, the quotient may be an amount posted on the wrong side of an account, or a balance transferred to the wrong column of the trial balance.

EXERCISE 7

Take off a trial balance from the Ledger in Exercise 6, according to the foregoing method. (Note the style of trial balance shown in the specimen at the top of the next page.)

Trial Balance

D. C. Clark & Co.

LEDGER PAGE	NAME OF ACCOUNT	January		February	
1	D. C. Clark (Stock)	1500 00			1500 00
2	M. A. Carter (Stock)	1500 00			1500 00
3	Cash	2305 25		2380 75	
4	Merchandise	518 75		818 75	
5	Sales		497 50		1023 00
6	Bills Payable		250 00		
7	Bills Receivable	200 00		200 00	
8	C. M. Frost	100 00		300 00	
9	W. A. Seymour (Expense)	100 00		24 50	
10	D. C. Clark (Personal)		150 00		150 00
11	Expense	523 50		523 50	
12	A. B. Rider (Consignment)	150 00		75 00	
13	E. B. Wright Co.				300 00
14	Traveling Expense			75 50	
15	A. B. Rider			75 00	
		3897 50	3897 50	4473 00	4473 00

QUESTIONS

1. Define Posting. 2. How is the Journal posted? 3. What is written in the account to signify that the entry came from the Journal? 4. What does the Ledger contain? 5. What results are obtained from the Ledger? 6. What is it that proves the equality of debits and credits in a Ledger? 7. Explain the method of taking off a trial balance. 8. In what ways may errors be discovered when the trial balance does not balance?

49. To Find the Present Worth. — In Exercise 8 a partner is to be admitted, hence it is necessary to find Mr. Student's present worth. This should now be done by the method shown on page 12. The inventories are: Furniture and Fixtures, $500; Horses and Wagons, $950; Merchandise, $3230.81. After entering these inventories, be sure to transfer to Loss and Gain account the balance of every account that shows a loss or a gain, and then transfer the balance of Loss and Gain account to Student's Stock account in the manner described on page 12.

Ordinarily the next step would be to balance the Stock account; but Mr. Student does not need to draw his salary, and decides to add this amount to his investment. Therefore, transfer the balance of Mr. Student's personal account to his stock account by entering the balance first in red ink on the debit side of the personal account and then in black ink on the credit side of the stock account.

Next, enter the present worth in red ink in the stock account, foot and rule the accounts

that balance, and bring down the inventories and the present worth, in black ink, to the opposite side in their respective accounts.

Take off a trial balance.

Render a statement of the assets and liabilities from the trial balance as directed in Exercise 4.

NOTE. — If the ledger has been closed correctly the Loss and Gain account and the amount of present worth will be as follows: —

LOSS AND GAIN

Jan.	31	Horses and Wagons,	50	00	Jan.	31	Merchandise,	1002	71
	31	Expense,	625	00					
	31	Interest and discount,	3	96					
	31	Commission,	25	00					
	31	Traveling Expense,	98	75					
	31	—— (*Stock*), (red ink)	*200*	*00*					
			1002	71				1002	71

Present Worth, $6350.00.

QUESTIONS FOR DISCUSSION

1. A farmer buys a plow, paying for it with wheat. Discuss possible entries. 2. A merchant buys certain goods, and up to the time of closing accounts, sells none. Name conditions under which he might gain, lose, or neither gain or lose, on the invoice. 3. What are the essentials in recording a business transaction? 4. What is the significance of the double line in a money column? Of the single line? 5. Rule up a Ledger form without consulting any model. 6. By accident a money value in an account is blotted out. How would you discover the value? 7. Is it possible to keep a clear record of a small business, using only the Ledger? Give reasons in full. 8. Mention suitable names for the accounts which should indicate the earnings of each of the following lines of business: Magazine Publisher, Physician, Lawyer, Private School, Hotel.

NOTE. — Continue the next exercise with the same Journal and Ledger as those used in Exercises 5 and 6.

EXERCISE 8

In order to enlarge the business, Mr. Student has decided to admit a partner on February 1. The style of the firm will be "Student & Doolittle." Gains and losses are to be shared equally. Make Journal and Ledger entries for the following: —

Daybook Memoranda of Transactions

February, 19—

1. G. L. Doolittle invests in the business of Student & Doolittle, this day, the following assets: —

Cash,		$3000.00
White & Byron, Balance,		500.00
L. S. Parker, Balance,		400.00
Boyd Furniture Co. Balance,		550.00
Owen Furniture Co. Balance,		250.00
Bills Receivable,		
L. G. Wood & Co. note,	300.00	
G. L. Parks & Co. note,	1000.00	
Tuttle Furniture Co. note,	350.00	1650.00
		$6350.00

2. Sold Boyd Furniture Co., City, Terms 30 days, 125 yds. Body Brussels @ $1.15; 50 yds. Oilcloth @ 40¢.

4. Received of White & Byron to balance account, their note dated February 1, due 25 days after date, with interest at 6%, payable at their office, $500.

5. Bought of Owen Street Co., New York, Terms Cash, 500 yds. Linoleum @ 64¢; 1000 yds. Oilcloth @ 25¢.

6. Paid A. B. Collins to apply on his salary, cash, $75.

7. Received Cash for Cash Sales, $175.

Paid Cash for a safe, $60.

Paid H. O. Stone & Co., rent for February, in cash, $150.

8. Sold White & Byron, City, Terms 30 days, 50 yds. Linoleum @ 92¢; 27 yds. Axminster @ $2.42.

Paid Owen Street Co.'s invoice of Feb. 5, in cash, $570.

9. Received of L. S. Parker to balance account, his note, dated Feb. 5, due 20 days after date, with interest at 6%, $400.

Received Cash for Cash Sales, $195.

11. Paid A. B. Collins for a mileage book and expenses, $150.

Paid Pettibone Wells & Co., for office supplies, cash, $12.75.

13. Bought of Wirts Furniture Co., New York, a bill of goods as per their invoice of Feb. 9, amounting to $365.

Mr. Student drew cash to apply on his salary, $95.

Sold L. S. Parker, City, 50 yds. Wilton @ $2.50; 75 yds. Lining @ 9¢; 2 Chairs No. 76 @ $7.50; 1 Rocker No. 135 @ $10.

14. Mr. G. L. Doolittle drew cash to apply on his salary, $125.

15. Accepted draft of the Wirts Furniture Co., in favor New York Bank, dated Feb. 9, at 12 days' sight, $365.

16. Sold White & Byron, Terms 60 days, 100 yds. Linoleum @ 92¢; 100 yds. Lining @ 8¢.

18. Paid Cash for repairs in store, $12.50.

Paid premium on insurance, in cash, $75.

Paid Cash for stamps, $5.

19. Gave Mrs. G. L. Doolittle cash, $25 (to be charged to Mr. Doolittle).

Received Cash for Cash Sales, $185.50.

20. Received Cash in payment of G. L. Park & Co.'s note due to-day, $1000.

21. Sold A. M. Gates 4 Horses and 2 Wagons for $390.

Received of A. M. Gates in payment of his account, cash, $90, and his note, dated Feb. 21, due in 30 days, with interest at 7%, $300.

Received Cash of Tuttle Furniture Co. in payment of their note due to-day, $350.

23. Sold Dewey Furniture Co., City, Terms 90 days, 2 Mahogany Tables No. 45 @ $15; 3 Mahogany Chairs No. 768 @ $25.

25. Received of L. S. Parker his note, dated Feb. 25, due in 30 days, with interest at 6%, as a renewal for his note due to-day, $400. Charged his account with the interest due on the old note, 20 days at 6% per annum. Returned the old note.

26. Received of White & Byron in payment of their note due to-day, cash, $502.08.

27. Paid our acceptance of the 15th in favor of New York Bank due to-day, cash, $365.

28. A. B. Collins's total expenses for February as per his expense book are $95.50.

Paid the Pay Roll for February in cash, $275.

Credit the partners each with salary at the rate of $200 a month.

A. B. Collins's account is to be credited with salary at $100 a month.

Draw off a trial balance.

50. After a trial balance is obtained, a condensed statement should be made from it and submitted to the proprietor. The divisions into which a trial balance is divided vary according to the line of business; the following form, however, covers a broad field: —

LITTLE & WHITE

Statement of Trial Balance at the close of the second fiscal month, April 30, 1903

Cash			
In bank,	2,439.00		
In drawer,	50.53	2,489.53	
Accounts Receivable[1] *and Bills Receivable*			
Customers' Accounts,	3,004.34		
Traveling Agents' Expense Accounts,	175.00	3,179.34	
Bills Receivable,		1,000.00	
Investments			
Real Estate and Building,	20,500.00		
Furniture and Fixtures,	1,500.00		
Horses and Wagons,	1,570.00	23,570.00	
Cost of Stock			
Merchandise,		20,025.00	
General Expenses			
Insurance,	250.00		
Pay Roll,	1,500.00		
Expense,	381.15		
Repairs on Building,	200.00		
Salary,	1,725.00	4,056.15	
Earnings			
Merchandise Sales,	29,623.72		
Commissions,	350.00		29,973.72
Accounts Payable[1] *and Bills Payable*			
Purchase Accounts,	5,181.30		
Salary Accounts,	515.00		5,696.30
Bills Payable,			4,000.00
Capital and Surplus[2]			
H. B. White Stock,			7,162.50
C. M. Little Stock,			7,162.50
Profit and Loss — Undivided Profits,			325.00
		54,320.02	54,320.02

EXERCISE 9

Prepare the February statement of Student & Doolittle.

EXERCISE 10

Prepare a monthly statement from the following trial balance: —

[1] Accounts receivable are outstanding debtors' accounts, and accounts payable are unpaid creditors' accounts.

[2] If the statement were that of a corporation instead of a partnership, the items under "Capital and Surplus" might be "Capital Stock," "Surplus," "Treasury Stock," and "Profit and Loss."

THE LAKE SHORE HOTEL,

Trial Balance, February 1, 1902

1.	M. A. Shore, Stock,		35,167.64
2.	M. A. Shore, Personal,	37.80	
3.	Furniture, Carpets, and Fixtures,	25,650.00	
4.	Paintings,	4,570.00	
5.	Linen,	2,765.25	
6.	Office Furniture and Fixtures,	750.00	
7.	Merchandise.	5,923.64	
8.	China, Silver, Crystal, etc.,	3,768.00	
9.	Chicago City Railway Stock,	5,000.00	
10.	Bills Receivable,	575.00	
11.	Bills Payable,		1,525.00
12.	Board,		27,860.00
13.	Laundry,	1,350.00	
14.	Pay Roll,	4,750.80	
15.	Office Salary,	600.00	
16.	Rent,	3,000.00	
17.	Salary,	1,200.00	
18.	Sub-Rent,		600.00
19.	Insurance,	300.00	
20.	Furniture Repair,	73.50	
21.	Improvements,	900.00	
22.	General Expense,	2,093.84	
23.	Coal,	863.75	
24.	Gas,	675.80	
25.	Collection Expense,	93.50	
26.	Charity,	155.45	
27.	E. A. Sweet,		125.00
28.	Mrs. M. B. Savage,	78.50	
29.	Colorado Mining Stock,	1,500.00	
30.	John V. Book,	47.85	
31.	W. B. Chair, Jr.,	138.25	
32.	B. V. Black,	13.85	
33.	J. H. Chapman & Co.,	51.00	
34.	E. McDonnell,	59.00	
35.	Chicago Coal Co.,		57.50
36.	L. G. Black & Co.,		137.50
37.	Munger Laundry Co.,		237.50
38.	Reed Furniture Co.,		473.54
39.	Brown Bros. Poultry Co.,		78.60
40.	Smith, Christy & Co.,		9.75
41.	William Woodman,		100.25
42.	Sprague, Warner & Co.,		373.50
43.	Marshall Field & Co.,		164.50
44.	Cash ....bank overdrawn,[1]		74.50
		66,984.78	66,984.78

[1] This means that the Hotel has drawn on the bank for more money than it has on deposit. It therefore owes the bank the amount of overdraft or deficiency. Responsible depositors are frequently permitted to overdraw their deposits temporarily, for slight amounts.

SECTION V. JOURNALIZING NOTES AND DRAFTS

To THE TEACHER. — If the students find difficulty in journalizing notes and drafts, either now or later, the work on pages 32–38 may be taken, or as much of it as is necessary. (See also pages 88–93.)

51. Journalizing Notes and Drafts. — For the general rule for journalizing notes and drafts, see rule 3, page 19; also Bills Receivable and Bills Payable, pages 7 and 8.

NOTE. — Teachers should require students to show how the special rules may be deduced from the general rules (on page 19) and to explain the special application of the rules to the cases and transactions considered in the following pages.

JOURNALIZING NOTES

The Entries for the Payee are: —

1. When a note is received: —

Bills Receivable
Maker or Indorser

Ex. — Received of Mills & Wells their note, dated Jan. 5, due in 30 days, with interest at 6%, to balance account, $2000.

Received of E. E. Bushnell & Son, to apply on account, a note to their order signed by M. B. Bright, dated Jan. 10, payable in 30 days, $200.

NOTE. — The note is indorsed by E. E. Bushnell & Son, who thus substitute for themselves, as payees, the firm to which they give the note. (See page 108.)

Received of J. M. Lewis in settlement of his account, his note, dated Jan. 26, payable in 3 months, $500.

2. When cash is received in payment of a non-interest-bearing note: —

Cash
Bills Receivable

Ex. — Received of Collins Machine Co. their check in payment of their note, $2000.

3. When a non-interest-bearing note is discounted: —

Sundries
Cash
Discount
Bills Receivable

Ex. — The bank discounted the $500 note of J. M. Lewis, paying us the proceeds, $492.50.

4. When an interest-bearing note is discounted: —

Sundries
Cash
Discount
Sundries
Bills Receivable
Interest

Ex. — Sold J. J. Baldwin, at discount of 8% per annum, M. A. Winter's note for $300, dated to-day, Jan. 15, payable in 4 months, with interest at 7% per annum. (Find the interest and the discount.)

5. When a non-interest-bearing note is transferred (by indorsement) to apply on account: —

New Payee
Bills Receivable

Ex. — Indorsed to Harvey Machine Co., to apply on account, the note of E. E. Bushnell & Son, $1000.

6. When one receives a check and a new note as part renewal for a note becoming due: —

(*a*) For the check.

Cash	Sundries
	Maker
	Interest (if any)

(*b*) For the new note.

Bills Receivable	
	Maker

(*c*) For the old note.

Maker	
	Bills Receivable

Ex. — Received of Mills & Wells their check for $510 and their note for $1500, dated Feb. 4, to balance their $2000 note due to-day.

The Entries for the Maker are: —

1. When a note is given: —

Payee	
	Bills Payable

Ex. — Gave E. E. Cooper to apply on account, our note, dated March 25, due in 30 days, payable at the New York Nat. Bank, $575.

Gave C. C. Simpson & Co. our note, dated May 25, payable in 2 months, with interest at 6% per annum, $225.

Gave Warner Mfg. Co. our note for $350, dated March 1, payable on April 25.

2. When an interest-bearing note is paid: —

Sundries	Cash
Bills Payable	
Interest	

Ex. — Mailed C. C. Simpson & Co. our check in payment of our $225 note due to-day, $227.25.

3. When part of a note is renewed, and the balance paid in cash: —

(*a*) For the check.

Payee	
	Cash.

(*b*) For the new note.

Payee	
	Bills Payable.

(*c*) For the old note.

Bills Payable	
	Payee.

Ex. — Inclosed in a letter to E. E. Cooper, a check for $200, and a new note for $375, dated April 25, to balance our note due on that day.

4. When the full amount of a note is renewed: —

(*a*) For the new note.

Payee	
	Bills Payable.

(*b*) For the old note.

Bills Payable	
	Payee.

Ex. — Gave the Warner Mfg. Co. our note, dated April 25, due in 60 days, with interest at 7% per annum, for our note due to-day, $350.

5. When a note is discounted at the bank: —

Sundries	Bills Payable
Cash	
Discount	

Ex. — Secured a loan at the bank on our note, dated May 15, payable in 30 days, $200. Discount $1; Proceeds, $199.

6. When a note at the bank is renewed: —

(*a*) For the old note.

Bills Payable	
	Cash

(*b*) For the new note.

Sundries	Bills Payable
Cash	
Discount	

Ex. — Gave the bank our check for $200 and our note for $200, dated June 14, payable in 60 days, as a renewal for our note due to-day. Discount, $2; Proceeds, $198.

Note. — The maker really pays the old note, and at the same time has the new one discounted. The proceeds are debited to Cash, since they are available as money, the same as any deposits in the bank.

Journalizing Drafts

The Entries for the Drawer are; —

1. When a sight draft is collected by a bank: —

Sundries	Drawee
Cash	
Exchange	

Ex. — Drew a sight draft on Cooper & Dow, St. Louis, Mo., to the order of the St. Louis Nat. Bank, for $68.75. The bank collected the draft and returned to us the proceeds, $68.50.

2. When a sight draft is deposited in the bank: —

Sundries	Drawee
Cash	
Exchange (if any)	

Ex. — Drew a sight draft on E. O. M. Kent & Co., Kansas City, Mo., to the order of Students' Nat. Bank, Chicago, for $150. Deposited it in the bank, receiving credit for the proceeds, $149.50.

Note. — As will be explained later, the firm's bank account is considered as part of its cash on hand.

3. When a sight draft is remitted to the payee to apply on account: —

Payee	
	Drawee

Ex. — Drew a sight draft on George Southwick, Davenport, Ia., to the order of A. B. Rider & Son, and remitted to them to balance account, $75.90.

4. When a time draft is collected by the bank: —

Sundries	Drawee
Cash	
Exchange	

Ex. — Drew a draft at 15 days' sight, on Coe & Walker, Milwaukee, favor of Students' Nat. Bank, Chicago, for $35.50. The bank collected draft at maturity and gave us credit for the proceeds, $35.25.

5. When a time draft is discounted at the bank : —

Sundries	Drawee
Cash	
Discount	

Ex. — Drew a draft at 10 days from date on M. D. Roberts, Springfield, Ill., to the order of Students' Nat. Bank, for $500. Discounted it at our bank, receiving credit for the proceeds, $499.17.

6. When a time draft, in favor of the drawer (page 90), is accepted by the drawee : —

Bills Receivable	
	Drawee

Ex. — Drew a draft on E. E. West, Grand Rapids, Mich., favor of ourselves; which the drawee accepted this day while in our office.

The Entries for the Drawee are : —

1. When a sight draft is paid : —

Drawer	
	Cash

Ex. — Paid the Watson Mfg. Co.'s sight draft on us, dated Jan. 21, to the order of First Nat. Bank, for $75.

2. When a time draft is accepted : —

Drawer	
	Bills Payable

Ex. — Accepted on Jan. 30, payable at Students' Nat. Bank, M. C. Goodwin & Co.'s draft to the order of the Chemical Nat. Bank, New York, dated Jan. 28, at 20 days' sight, $325.

3. When a time draft, having been accepted, is paid at maturity : —

Bills Payable	
	Cash

Ex. — Paid by check our acceptance of Jan. 30, favor of Chemical Nat. Bank of New York, for $325.

4. When a time draft is discounted — paid immediately on presentation or before day of maturity : —

Drawer	Sundries
	Cash
	Discount

Ex. — Prepaid Moss, Brown & Co.'s draft on us for $250, less discount 20 days at 6%. (Find the discount.)

The Entries for the Payee are : —

1. When a sight draft is paid : —

Cash	
	Drawer

Ex. — Received of the Perkins Furniture Co., a check in payment of Lee & May's sight draft for $95.50.

2. When a time draft is accepted on presentation : —

Bills Receivable	
	Drawer

Ex. — M. D. Roberts accepted W. W. Foster & Co.'s draft, drawn on him at 30 days' sight, $175.

5. When a note is discounted at the bank: —

Sundries	Bills Payable
Cash	
Discount	

Ex. — Secured a loan at the bank on our note, dated May 15, payable in 30 days, $200. Discount $1; Pr ceeds, $199.

6. When a note at the bank is renewed: —

(*a*) For the old note.

Bills Payable	
	Cash

(*b*) For the new note.

Sundries	Bills Payable
Cash	
Discount	

Ex. — Gave the bank our check for $200 and our note for $200, dated June 14, payable in 60 days, as renewal for our note due to-day. Discount, $2; Proceeds, $198.

Note. — The maker really pays the old note, and at the same time has the new one discounted. The pr ceeds are debited to Cash, since they are available as money, the same as any deposits in the bank.

Journalizing Drafts

The Entries for the Drawer are; —

1. When a sight draft is collected by a bank: —

Sundries	Drawee
Cash	
Exchange	

Ex. — Drew a sight draft on Cooper & Dow, St. Louis, Mo., to the order of the St. Louis Nat. Bank, f $68.75. The bank collected the draft and returned to us the proceeds, $68.50.

2. When a sight draft is deposited in the bank: —

Sundries	Drawee
Cash	
Exchange (if any)	

Ex. — Drew a sight draft on E. O. M. Kent & Co., Kansas City, Mo., to the order of Students' Nat. Ban Chicago, for $150. Deposited it in the bank, receiving credit for the proceeds, $149.50.

Note. — As will be explained later, the firm's bank account is considered as part of its cash on hand.

3. When a sight draft is remitted to the payee to apply on account: —

Payee	
	Drawee

Ex. — Drew a sight draft on George Southwick, Davenport, Ia., to the order of A. B. Rider & Son, a remitted to them to balance account, $75.90.

4. When a time draft is collected by the bank: —

Sundries	Drawee
Cash	
Exchange	

Ex. — Drew a draft at 15 days' sight, on Coe & Walker, Milwaukee, favor of Students' Nat. Bank, Chicago, f $35.50. The bank collected draft at maturity and gave us credit for the proceeds, $35.25.

5. When a time draft is discounted at the bank : —

Sundries	Drawee
Cash	
Discount	

Ex. — Drew a draft at 10 days from date on M. D. Roberts, Springfield, Ill., to the order of Students' Nat. Bank, for $500. Discounted it at our bank, receiving credit for the proceeds, $499.17.

6. When a time draft, in favor of the drawer (page 90), is accepted by the drawee : —

Bills Receivable	
	Drawee

Ex. — Drew a draft on E. E. West, Grand Rapids, Mich., favor of ourselves; which the drawee accepted this day while in our office.

The Entries for the Drawee are : —

1. When a sight draft is paid : —

Drawer	
	Cash

Ex. — Paid the Watson Mfg. Co.'s sight draft on us, dated Jan. 21, to the order of First Nat. Bank, for $75.

2. When a time draft is accepted : —

Drawer	
	Bills Payable

Ex. — Accepted on Jan. 30, payable at Students' Nat. Bank, M. C. Goodwin & Co.'s draft to the order of the Chemical Nat. Bank, New York, dated Jan. 28, at 20 days' sight, $325.

3. When a time draft, having been accepted, is paid at maturity : —

Bills Payable	
	Cash

Ex. — Paid by check our acceptance of Jan. 30, favor of Chemical Nat. Bank of New York, for $325.

4. When a time draft is discounted — paid immediately on presentation or before day of maturity : —

Drawer	Sundries
	Cash
	Discount

Ex. — Prepaid Moss, Brown & Co.'s draft on us for $250, less discount 20 days at 6%. (Find the discount.)

The Entries for the Payee are : —

1. When a sight draft is paid : —

Cash	
	Drawer

Ex. — Received of the Perkins Furniture Co., a check in payment of Lee & May's sight draft for $95.50.

2. When a time draft is accepted on presentation : —

Bills Receivable	
	Drawer

Ex. — M. D. Roberts accepted W. W. Foster & Co.'s draft, drawn on him at 30 days' sight, $175.

3. When an accepted draft is paid at maturity : —

Cash
Bills Receivable

Ex. — Received of M. D. Roberts a check in payment of his acceptance of W. W. Foster & Co.'s draft due to-day, $175.

4. When a time draft is discounted for the drawer : —

Bills Receivable — Sundries
Cash
Discount

Ex. — Discounted for the Wilson Mfg. Co. a 45 days' sight draft for $278, drawn on the Des Moines Machine Co.; giving our check for $275.50.

EXERCISE 11

The following is a statement of the debtors' and creditors' accounts of Burry & Wood at commencement of business, July 1, 19—.

Accounts Receivable (Debtors' Accounts)

J. D. Hannibal,	Milwaukee, Wis.,	$375.00	
C. M. Mitchell & Co.,	Springfield, Ill.,	1500.75	
Curtiss & Drake,	Springfield, Ill.,	500.00	
Burns Mfg. Co.,	Milwaukee, Wis.,	250.00	
Louis & White,	Rock Island, Ill.,	900.00	
Hannah & Morgan Co.,	Chicago, Ill.,	875.25	
B. C. Scott & Co.,	Aurora, Ill.,	1350.00	
J. E. Cole & Co.,	Kansas City, Mo.,	535.25	6286.25

Accounts Payable (Creditors' Accounts)

J. D. Mann,	New York,	$290.00	
M. C. Murray,	New York,	765.00	
Gordon, Little & Co.,	Boston,	700.00	
Carter & White,	Chicago,	250.00	
Meade Mfg. Co.,	Chicago,	500.00	
W. W. Foster & Co.,	Boston,	900.00	
Mason & Walker,	Cincinnati,	750.00	
Grant & Morgan,	Chicago,	1575.00	5730.00

Open accounts, on Ledger paper, with each of the foregoing persons and firms, debiting the Accounts Receivable (debtors) and crediting the Accounts Payable (creditors) with their respective amounts; use for explanation the word "Balance."

Then journalize the following transactions on Journal paper, and afterward post the debits and credits to their respective accounts. Give Bills Receivable, Bills Payable, and Cash each a page, and all other accounts a third of a page.

Memoranda of Transactions Relating to Notes

July

1. The following notes have been received to-day payable to our order: —

J. D. Hannibal,	note	dated	June	3,	for 30 days,	at 6% interest,	$375.
Curtiss & Drake,	"	"	"	14,	" 60 "		500.
Burns Mfg. Co.,	"	"	"	15,	" 2 mo.,	at 6% "	200.
Louis & White,	"	"	July	1,	" 15 days,		500.
B. C. Scott & Co.,	"	"	June	5,	" 30 "		1300.
C. M. Mitchell & Co.,	"	"	"	3,	" 1 month,		1350.

2. Our bank (Students' Nat. Bank) discounted Burns Mfg. Co.'s note, charging 6% discount for 44 days. Discount, $1.48; Proceeds, $200.52.

3. Received cash of J. D. Hannibal, in payment of his interest-bearing note, due to-day, $376.88.

Discounted at the bank, at 6%, note of Curtiss & Drake, $500. Discount, $3.42; Proceeds, $496.58.

Received a check of C. M. Mitchell & Co. in payment of their note due to-day, $1350.

5. Indorsed to the Meade Mfg. Co., to balance account, Louis & White's note, $500, dated July 1, at 15 days.

Received a check and a 3 months' note of B. C. Scott & Co. in settlement of their note due to-day. The check is for $1000, and the note for $300, dated July 5, with interest at 6% per annum. Returned to them the old note.

12. Gave notes to the following firms: —

Grant & Morgan,	note	dated	July	12,	for	60	days,	int. 6%,	$1000.
J. D. Mann,	"	"	"	3,	"	30	"	" 6%,	200.
Gordon, Little & Co.,	"	"	"	5,	"	45	"	" 7%,	250.
M. C. Murray,	"	"	"	5,	"	30	"		365.
Carter & White,	"	"	"	10,	"	30	"	" 6%,	250.
Mason & Walker,	"	"	"	20,	"	25	"		500.

15. Received of Louis & White, their note, dated July 16, for 45 days, with interest at 6% per annum, for $500, as a renewal for their note due to-morrow. The old note we can not return, having sold it to the Meade Mfg. Co. on July 5; but to accommodate Louis & White we keep their new note and send them a check with which to pay the old one.

24. C. B. Warner & Co. gave us, as an accommodation, their note, dated July 24, payable in one month, $1000.

Discounted at the bank C. B. Warner & Co.'s note. Discount, $5; Proceeds, $995.

26. Discounted at the bank (Students' Nat. Bank) our note, dated July 26, payable in 22 days, $1000. Discount, $3.67; Proceeds, $996.33.

August

2. Paid our note in favor of J. D. Mann & Co. by check, $201.

3. Mailed M. C. Murray a check in payment of our note due to-morrow, $365.

9. Gave Carter & White a check for $51.25, and a new note for $200, dated Aug. 10, payable in 30 days, to meet our note due to-day. Received the old note.

12. Gave W. W. Foster & Co. our two notes, $450 each, dated Aug. 12, with interest at 6% per annum, payable in 10 and 20 days, to balance account, $900.

14. Gave Mason & Walker our note for $500, dated Aug. 14, for 60 days, in settlement of our note due to-day.

17. Renewed at the bank part of our note due to-day. Gave check for $1000, and new note payable in 10 days, $500. Discount, 83¢; Proceeds, $499.17. (See transaction of July 26 above, and also rule 6 on page 34.)

Mailed Gordon, Little & Co. a check for interest due on note, $2.19, and a new note, dated Aug. 19, for 60 days, as renewal for note due then, $250.

22. Gave W. W. Foster & Co. our check in payment of our note due to-day, $450.75.

23. Gave C. B. Warner & Co. a check to "take up" their note due to-morrow, $1000.

27. Gave the bank our check in payment of our note due to-day, $500.

30. Received of Louis & White their check in payment of their note due to-day, $503.75.

NOTE. — The student should post the foregoing entries before journalizing the next month's transactions. He will thus be prepared to ascertain the balance of any account desired.

Memoranda of Transactions Relating to Drafts

September

4. Drew a draft at one day's sight on J. E. Cole & Co., in favor of the Kansas City Bank, for $200.

NOTE. — Write to the cashier of that bank inclosing the draft for collection.

Accepted J. D. Mann's 10 days' sight draft on us, favor of the Chemical Nat. Bank, New York, for $90.

6. Received of Hannah, Morgan & Co., to apply on account, their draft in our favor for $500 at 10 days' sight, on Wilson Mfg. Co., Chicago. The draft was this day accepted by the drawee.

7. Drew a sight draft on the Burns Mfg. Co., in favor of our bank (Students' Nat. Bank), for $50, and had it deposited to our credit. The exchange was 25 cents.

9. Received of the Kansas City Bank $199.50 in payment of the draft we drew on J. E. Cole & Co.

Drew a sight draft on J. E. Cole & Co., Kansas City, in favor of M. C. Murray, and sent it to M. C. Murray to apply on account, $300.

11. Drew a draft at 45 days' sight on B. C. Scott & Co., Aurora, Ill., to the order of our bank, for $50. The bank allowed us to deposit it, crediting our account with the proceeds, $49.62.

14. Paid our acceptance of Sept. 4, in favor of the Chemical Nat. Bank, by check on the Students' Nat. Bank, $90.

16. Received of the Wilson Mfg. Co. their check in payment of their acceptance of Sept. 6, $500.

Drew a draft on Louis & White, Rock Island, Ill., to the order of our bank, at 10 days from date, to balance account, $400. Gave the draft to the bank to collect.

NOTE. — Make no entry till the draft is paid.

18. Paid M. C. Murray's sight draft on us, dated Sept. 16, in favor of the Chicago Nat. Bank, $100.

20. Paid on presentation, Mason & Walker's draft on us, favor of the Commercial Nat. Bank, Chicago, dated Sept. 18, at 30 days' sight, for $250. Gave the bank a check for the proceeds, $248.75.

23. Discounted M. D. Walker's draft drawn on G. B. Perkins & Co., accepted Sept. 23, at 60 days' sight, $75. Proceeds, $74.25.

26. Collected Hannah, Morgan & Co.'s sight draft, in our favor, on the Gordon Machine Co., to apply on account, $75.25.

26. Received credit in our deposit book for the proceeds of our draft, collected from Louis & White, $399.

28. Drew a draft on C. M. Mitchell Co. in favor of ourselves, dated Sept. 28, at 30 days' sight, for $150.75. Mr. C. M. Mitchell accepted it immediately, and we later indorsed it to our bank for collection.

NOTE. — If the entries in Exercise 11 are properly made and posted, the sum of the debit balances will be $556.25 more than the sum of the credit balances. The student should explain why the two sums are not equal. (See page 36.)

PART II. BUSINESS RECORD

SECTION I. BOOKS FOR BOOKKEEPING

Classification of Books

52. The books used in bookkeeping are divided into three classes, — Auxiliary Books, Books of Original Entry, and the Ledger. The books mentioned below form the set required by most business houses; also, they form *the basis of the more complicated sets.*

53. The Auxiliary Books in common use are: (1) Order Book (Blanks), (2) Order Book (Receiving), (3) Receiving Book, (4) Shipping Book, (5) Petty Cash Book, (6) Invoice Book, (7) Bill Book, (8) Deposit (Bank) Book, (9) Check Book, and (10) Pay Roll Book. Properly used, these books prepare the work for the Books of Original Entry and render the Daybook unnecessary.

54. The Books of Original Entry are: (1) Sales Book, (2) Cash Book, and (3) Journal. These show every transaction of a business journalized into debit and credit entries, ready for posting.

These and the auxiliary books are considered the most important in cases of litigation, so that erasures should be avoided. If necessary to make a change, it is better to draw a line through the error and write the correction above.

55. The Books of Entry are: the Books of Original Entry and the Ledger.

Auxiliary Books Described

56. The Order Book consists of blanks to be filled out when purchases are to be made.

When invoices are received by the firm the items are checked according to the record on the stub of this book, in order to detect possible errors.

Order Book

No. 1.	**ORDER**
	From John Stewart
Date, January 2, 1901.	*No. 1.* *Chicago,* January 2, 1901.
To M. A. Wait,	M. A. Wait,
Minneapolis, Minn.	Minneapolis, Minn.
Ship via	*Please ship to me*
25 bbls. Flour	25 bbls. Flour
100 boxes Ivory Soap	100 boxes Ivory Soap
	And charge to account of
	John Stewart.
Give Order Number on Invoice.	*Per C. S.*

57. The Order Book (Receiving) is a blank book in which are recorded the orders received from customers, traveling men, etc.

The orders are copied from this book on Order Blanks and given to the shipping clerk for filling and shipment. Each order is numbered as it is entered in the book.

Order Book

Order *No. 101.*

Their Order No. 350. *Date of Order,* January 2, 1900.

Ship via the C. M. & St. P. R. R. *Name,* George F. Monroe & Co.

Terms, 30 days. *Salesman,* B. D. G. *Town,* Milwaukee, Wis.

10 bbls. Apples
15 bbls. St. Louis Flour
5 boxes Raisins

Order *No. 102.*

Their Order No. *Date of Order,* *19*

Ship via the *Name,*

Terms, *Salesman,* *Town,*

58. The Receiving Book contains a record of the goods received, with the names and addresses of the shippers.

From this book the invoices received are checked and O.K.'d as to the quantity.

Receiving Book

Chicago, January, 1901

		2
		George Beecher & Son, City.
50		bbls. Apples.
10		bbls. Flour.
		7
		M. A. Wait, Minneapolis, Minn.
25		bbls. Flour.
100		boxes Ivory Soap.

59. The Shipping Book contains a record of the goods shipped and delivered, giving the names and addresses of the customers, and telling how the goods were shipped, etc.

Shipping Book

Chicago, January, 1901

		2
		George F. Monroe & Co.,
		Milwaukee, Wis.
		Our Order No. 101.
		Their Order No. 350. Via the C. M. & St. P. R. R.
10		bbls. Apples.
15		bbls. St. Louis Flour.
5		boxes Raisins.

60. The Petty Cash Book contains a record of all currency received by the cash drawer, and of all paid out from it.

At the close of each day all items should be transferred from it to the Cash Book, unless they are too numerous. In that case the items should be grouped under their several accounts, and the totals transferred under their proper titles to the Cash Book, with the explanation "Per Petty Cash Book."

Receipts should be taken for all money paid out, and should be kept on file, so that they can be produced promptly if called for.

Petty Cash Book

LEFT-HAND PAGE

DR.		CASH		
1901				
Jan.	2	Cash sales checks,	125	00
	28	White & May, to bal. acct.,	8	00
		W. A. Butler & Co., on acct.,	15	00
		Sanford & Weed, on acct.,	25	00
		Cash sales checks,	75	00
	30	Cash sales checks,	50	00
			298	00
Feb.	1	Balance,	274	05

RIGHT-HAND PAGE

		CASH	CR.	
1901				
Jan.	2	Errand boy car fare,		10
		300 2-cent stamps,	6	00
	12	Freight from C. J. & Co.,	17	85
		Balance in drawer, (red ink)	*274*	*05* (red ink)
			298	00

61. The Invoice Book is a book in which invoices are pasted after they have been properly journalized.

62. The Bill Book contains a record of the notes received from other firms and the time drafts accepted by other firms, and of the notes given and drafts accepted by the firm. It shows also how they are disposed of. The book should always agree with the Ledger accounts of Bills Receivable and Bills Payable. Sometimes the Bill Book is divided into two: Bills Receivable Book and Bills Payable Book.

Bills Receivable

NO.	DATE 1901	INDORSER OR DRAWER	MAKER OR DRAWEE	IN WHOSE FAVOR	WHERE PAYABLE	TIME	WHEN DUE Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	AMOUNT		INT.	WHEN AND HOW DISPOSED OF
	Jan. 21		F. Monroe	J. Holmes	Park Bank	30 da	1901		20											122	50	—	
	" 24	W. Ellis	Rider & Sons		Tyler Bank	60 da	1901			25										200	00	6%	

Bills Payable

NO.	DATE 1901	INDORSER OR DRAWER	MAKER OR DRAWEE	IN WHOSE FAVOR	WHERE PAYABLE	TIME	WHEN DUE Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	AMOUNT		INT.	WHEN AND HOW DISPOSED OF
	Jan. 31		J. Holmes	Smith & Son	Park Bank	30 da	1901			2										355	00	—	

63. The Deposit Book, or Bank Book, is one furnished by the bank, in which the teller enters the total amount deposited each day by the firm. The amount entered agrees with the total of the deposit ticket which is handed in with the checks, currency, etc., presented at his window.

The Deposit Book is a book of reference, showing all sums deposited. If it is left at intervals with the teller, entries are made of the sums withdrawn, and the book is balanced so as to show the net sum on deposit, or the "balance in bank."

Deposit Book

LEFT-HAND PAGE

DEPOSITS			
1901			
Jan.	2	Deposit	375 00
	3	"	275 80
	5	"	850 63
	5	"	78 50
	14	"	275 00
	21	"	475 00
	31	200.00 dis., 1.10	198 90
Feb.	1		950 00
			3478 83
Feb.	2	Balance	31 52

RIGHT-HAND PAGE

RETURNED CHECKS					
		785 88			
2 75		8 50			
75 50		9 63			
67 80		13 00			
275 93		17 80			
50 40		255 00			
50 00		450 00			
150 00		7 50			
13 50		50 00			
100 00		1200 00			
785 88		650 00		3447	31
		Balance	(red ink)	*31*	*52*
				3478	83

64. The Deposit Tickets are blanks which a firm is required to fill out when making deposits. They give the name of the depositor, the date, and the amounts deposited. If currency or gold is deposited the sum of each is given; if checks, the amount of each one and the total are given.

Deposit Ticket

DEPOSITED WITH

Students' National Bank.

By H. B. Clay & Co.

Chicago, January 10/01

CHECKS ON OTHER CITY BANKS				COIN, CURRENCY, CHECKS ON THIS BANK, AND ALL ITEMS PAYABLE OUT OF CHICAGO			
DOLLARS		CENTS		DOLLARS		CENTS	
	254	*98*			*57*	*50*	
	25	*00*			*400*	*00*	
	279	*98*			*457*	*50*	
					279	*98*	
					737	*48*	

65. The Check Book is a book of blank checks from which all checks are made out (pages 94, 95). From this book transfer to the credit side of the Cash Book the title of the account, the explanation, and the amount on each stub. This may be done once a day, when ready to balance the cash.

66. The Bank Account should be kept in the Check Book. Begin by tearing out the check blanks of the first page, leaving the stubs; then turn the page of stubs over and rule the reverse side (left-hand page) as shown below. If desired, the fly leaf or cover may be used instead.

Check Book

Dr.	Reverse Side				Stub	Cr.
1901 Jan.	2	Deposit	2000	00	No. 1. Date, Jan. 3, 1901.	
	5	"	375	00	Order of H. C. Sweet & Co.	
	7	"	500	00	Explanation, Rent for Jan.	
	8	"	100	00	Account, H. C. Sweet & Co.	250 00
	10	"	475	00	$250.00.	
			3450	00		
	11	"	225	00	No. 2. Date, Jan. 30, 1901.	
	15	"	750	50	Order of M. A. Wait.	
					Explanation, On account.	
					Account, M. A. Wait,	250 00
					$250.00.	

On the first left-hand page (debit) enter the date and amount of the deposits each day, and from the right-hand pages (credit) make out the checks as they are demanded. Keep adding the amounts of the checks on the stubs, in pencil, bringing forward the footing to the next page, and so on.

The balance is ascertained at any time by subtracting, on a slip of paper, the sum of the checks drawn from the sum of the deposits. The balance may then be entered for reference on the next blank stub, in pencil, in the upper left-hand corner.

At the end of the month, or the date on which the Bank Book is balanced, enter in the front part of the Check Book the total amount withdrawn as per Check Book, subtract it from the sum of the deposits, and begin anew with the balance.

Check Book (Right-hand Page, full width)

No. 4.	600	Chicago, Jan. 30, 1901. No. 4.
Date, Jan. 30, 1901.		Students' National Bank
Order of C. H. Odell & Co.		of Chicago.
Explanation, On acct.		Pay to the order of C. H. Odell & Co., $60.00
Account, C. H. Odell & Co.	60 00	Sixty ~~~~~ 00/100 Dollars.
$60.00.		J. S. Smith & Co.

67. The Pay Roll Book is an auxiliary book containing a record of the employees' time and salaries. This book is required in almost all lines of business, especially in factories and houses that engage a large force of help.

Some firms have printed time cards which the employees fill in when reporting their time to the office, and others have a time register. This is a machine which indicates on cards or a sheet each employee's number and time, giving the hour when he comes in and when he goes out. Each man's time is transferred either daily or weekly from the time cards or register to the Pay Roll Book. If one of the employees is paid on account or in full before pay day, the amount is noted in the Pay Roll Book, and a debit (charge) ticket is held for it in the Cash Drawer, or the amount may be charged direct to Pay Roll account in the Cash Book. Many houses find it necessary to subdivide the Pay Roll, in order to charge parts of it to different representative accounts.

Pay Roll Book

For the Week ending December 7, 1901

No.	NAME.	Occupation.	Sunday. 1	Monday. 2	Tuesday. 3	Wednesday. 4	Thursday. 5	Friday. 6	Saturday. 7	Time. Days.	Time. Hours.	Rate. Dols.	Rate. Cts.	Total Am't.	Am't Rec'd.	Am't Due.	Paymaster's Check.	REMARKS.
1	Kerfoot, C. H.			7	10	10	×	10	×		37		40	14 80		14 80		
2	Chandler, A. D.			10	10	10	10	10	×		50		30	15 00		15 00		
3	Mead, C. C.			×	×	×	2	5	5		12		35	4 20		4 20		
4	Knight, H. E.			×	×	×	×	×	2		2		25	50		50		
5	Hurlburt, M. E.			×	×	×	5	5	5		15		15	2 25		2 25		
6	Harvey, J. A.			×	×	×	5	5	5		15		20	3 00		3 00		
7	Lincoln, D. E.		5	10	10	10	10	12	5		62		40	24 80	5 00	19 80		
8	Harrison, J. M.			10	10	12	12	12	12		68		40	27 20		27 20		
9	Hoff, E. E.			12	12	12	12	12	12		72		50	36 00		36 00		
10	Grant, M. D.		10	10	10	10	10	10	5		65		50	32 50	5 00	27 50		
11														160 25	10 00	150 25		
12																		
13																		
14																		
15																		
16																		
17																		
18																		

QUESTIONS

1. How are the books in Bookkeeping classified? 2. Define each. 3. Enumerate the set of books used in most business houses. 4. How many kinds of Order Books are there? 5. Define each. 6. What books contain a record of the goods received and shipped by a house? 7. Explain the Petty Cash Book. 8. In which book are the invoices pasted after they are journalized? 9. For what purpose is the Bill Book used? 10. Describe the book which is written up by the bank. 11. Describe the Check Book. 12. What account is kept in it? 13. What is the Pay Roll Book?

NOTE. — The foregoing Auxiliary Books, except the Bill Book, Deposit Book, and Check Book, have not been introduced in any of the exercises for the reason that they are readily understood from their definitions and illustrations, and their rulings may vary in different houses.

Books of Entry Described

68. The Sales Book contains a record of the sales on credit, giving the names and addresses of the purchasers, the amounts and prices of the goods sold, particulars as to how the goods are shipped, etc. It also contains records of cash sales when complete accounts are desired with the customers. The prices are entered opposite the items and the proper extensions are made. From this book invoices are rendered to the different firms, care being taken to insure exact copies of the invoices in the book. When copying make a check opposite each invoice, thus: "√."

The book may be ruled to suit the firm's convenience. It has usually two money columns at the right-hand side of the page. The left-hand column is used, when there is more than one item, for the entry of the separate amounts, the sum of which is written in the right-hand column. From day to day the latter column is added, in pencil, and at the end of the month it is ruled and footed, and the total amount posted to the credit of Sales account in the Ledger. Thus the credit amount posted from the Sales Book equals the sum of the debits, which are posted to the customers' accounts.

Sales Book

Chicago, February, 1901 — 1

LEDGER PAGE		ITEMS	TOTAL
	5		
	C. G. Warner & Co.		
44	Order #405. Kansas City, Mo.		
	10 bbls. Pillsbury Flour @ $4.00		40 00
	7		
	Wm. B. Dee & Co.		
55	Order #26. St. Louis, Mo.		
	20 bbls. Apples @ $5.75		115 00
	Shipped by Reid, Smith & Co.		
	12		
	C. G. Warner & Co.		
44	Order #510. Kansas City, Mo.		
	15 bbls. Pillsbury Flour @ $4.00	60 00	
	10 boxes Ivory Soap @ $4.50	45 00	105 00
	28		
	Wm. B. Dee & Co.		
55	Order #75. St. Louis, Mo.		
	3 bbls. Molasses. 150 gal. @ 50¢	75 00	
	5 bbls. Pillsbury Flour @ $4.00	20 00	95 00
23	Sales ℅ Cr.		355 00

Note.—The entries of the above specimen Sales Book are posted in the specimen Ledger on page 53. The student should trace each of the five entries from one book to the other.

NOTE. — In the following exercises the student is to act as bookkeeper and do all that a bookkeeper would be expected to do in the transactions indicated by what the manager says. The manager's directions, of course, are supposed to be given at different times during the day. The name of the firm is John Stewart & Co. John Stewart is the proprietor and manager.

EXERCISE 12

Make the entries in the Sales Book for the following transactions (see note above): —

Manager's Instructions to his Bookkeeper

January 2, 19—. "These orders have been shipped: —

"A. B. Rider & Son, Rock Island, Ill. Order No. 4090; 25 bbls. apples @ $5.50, 25 bbls. St. Louis flour @ $4.50.

"Geo. F. Monroe & Co., Milwaukee, Wis. Order No. 350; 10 bbls. apples @ $5.50, 15 bbls. St. Louis flour @ $4.50."

NOTE. — Enter the total amount of the above sale as $125.00. This will cause an error of $2.50. This item will be explained later.

January 3. — "Enter these orders: —

"W. A. Crocker & Co., Chicago. Order No. 200; 10 boxes Ivory soap @ $4.50, 15 bbls. Pillsbury flour @ $4.

"C. B. Frost & Co., Chicago. Order No. 215; 3 bbls. currants, 350 lb. each, @ 5¢."

January 15. — "Here are the orders shipped to-day: —

"White & May, Chicago. Order No. 150; 2 bbls. Pillsbury flour @ $4.

"W. A. Butler & Co., Chicago. 5 bbls. apples @ $5.50, 5 boxes Ivory soap @ $4.50.

"Sanford & Weed, Chicago. Order No. 967; 2 bbls. N. O. molasses, 100 gallons, @ 49¢."

January 31. — "Rule and add the Sales Book for the month."

THE CASH BOOK

69. The Cash Book should contain a record of all money received and paid out.

The left-hand page is the debit, and contains a record of all the money received. The right-hand page is the credit, and contains a record of all the money paid, transferred from the Check Book and Petty Cash Book. When the entry is for a check, insert "ck." at the end of the explanation, and when for currency, insert "cy." This information will often be of value.

The Cash Book has generally two money columns on each page. One is called "Sundries" and is used for all accounts whose amounts are posted every day; the other column may be employed for any particular account whose footing is posted at the end of each month.

The book is added up from day to day, in pencil, and is balanced and ruled at the end of each month by inserting the balance in red ink on the side which is the smaller, so that both sides will have the same footing. On the first of the next month the balance is brought forward, in black ink, to the opposite side on the next pair of pages. When the debit side of the Cash Book is the greater, the difference between the two sides is the *Balance on hand*, but when the credit side is the greater the difference is the *Balance overdrawn*.

The Cash Book is the Cash account, and for this reason many houses do not have a Cash account in the Ledger, but transfer the Cash account balance every month from this book to the trial balance. Some houses divide the Cash Book into several books, either bound or in loose sheets.

The name of an account written on the debit side of the Cash Book debits Cash account and credits the account named, but if written on the credit side it debits the account named and credits Cash account. Hence, from the debit side of the Cash Book post to the credit side of the proper accounts in the Ledger, and from the credit side post to the debit side of the proper accounts in the Ledger.

Cash Book (Left-hand Page)

4

Dr. **Cash**

DATE	LED. PAGE	NAME OF ACCOUNT	EXPLANATION	SALES	SUNDRIES
1907 Feb. 1			Balance on hand		2489 53
1	✓	Sales	Cash sales checks	473 95	
16	44	C. G. Warner & Co.	On account ck.		95 00
18		M. A. Lord & Co.	In full of acct. ck.		400 00
	✓	Sales	J. White, cash sale	175 00	
27		W. H. Storm & Co.	Bal. acct. ck. 458.75 dis. 4.63		463 38
	21	Bills Receivable	C. H. Lyman ck.		225 00
28	✓	Sales	Cash sales checks	375 50	
	22	Bills Payable	City Bank disc'd		500 00
	✓		our 30 day note		
	23	Sales	Total for February	1024 45	1024 45
					5197 36

NOTE. — The above entries that concern Bills Receivable, Bills Payable, and Sales accounts, and the account of C. G. Warner & Co., are posted in the specimen Ledger on page 53.

NOTE. — Study the entry of Feb. 27, W. H. Storm & Co. What amount of money did W. H. Storm & Co. actually pay? If the entry had been made for $458.75 instead of $463.38, it would have been necessary to make a Journal entry to credit W. H. Storm & Co., and debit Interest and Discount, with $4.63. In order to save labor and to record the entire transaction in one book (the Cash Book), W. H. Storm & Co. are credited and Cash is debited with $463.38, and on the opposite page Cash is credited and Interest and Discount is debited with $4.63.

EXERCISE 13

Make the entries in the Cash Book and in the Check Book (page 44) for the following transactions (see note, page 47): —

Manager's Instructions to his Bookkeeper

January 2. — "I began business this day, investing cash, $2000.

"Deposit to-day $2000." (Enter it in the Check Book, and have it entered in the Deposit Book.)

"Write out a check for $25, to the order of Currency, for the cash drawer."

NOTE. — A check which is made out to the order of Currency, or to some individual, to be used for the cash drawer, is never entered on the Cash Book. Instead, entries are made as the money is disbursed from the cash

Cash Book (Right-hand Page)

Cash — Cr. 5

DATE	LED. PAGE	NAME OF ACCOUNT	EXPLANATION	EXPENSE	SUNDRIES
1901 Feb. 1		Pillsbury Mill Co.	On account ck.		300 00
4	✓	Expense	200 2¢ stamps cy.	4 00	
		W. H. Wright & Co.	Bal. account ck. cy.		265 50
		Freight & Cartage	Frt from P. Mill Co.		27 80
15	22	Bills Payable	C. G. Curtiss ck.		65 70
27		Interest & Discount	W. H. S. & Co. 1% dis.		4 63
		Charity	Newsboys' Home cy.		1 00
		W. A. Seymour Exp.	Mileage Book ck.		50 00
28		Pay Roll	Week ending 2/28 cy.		125 50
	✓	Expense	Car fare cy.	75	
	✓	Expense	Horseshoeing cy.	5 65	
		Interest & Discount	6% dis. on our note		2 50
		Expense	Total for February	10 40	10 40
					853 03
			Balance on hand		4344 33
					5197 36

drawer. When transferring amounts of other checks from the Check Book to the Cash Book, mark on each stub the page of the Cash Book on which the amount is entered, thus: "Entered, C.B. 3."

NOTE. — The checks made by each student should be inclosed in an envelope when they are supposed to be sent out. At the end of the exercise they should be presented to the teacher, with the Deposit Book (which is supposed to be left at the bank to be balanced); see page 55.

"Write out a check for $250 to the order of H. O. Sweet & Co., rent for January.

"Give the errand boy 10 cents for car fare.

"What is the total amount of the cash sales to-day?" (Per cash sales checks, $125.)

January 12. — "Pay this freight charge on goods from C. Johnson & Co., bought f.o.b. New York, $17.85, in currency.

"What is the total amount of the Cash Sales to-day?" (Per cash sales checks, $75.)

January 28. — "This is a memorandum of the money which the errand boy collected. Count the currency and make the entries: —

"W. A. Butler & Co., on account, $15. Sanford & Weed, on account, $25. White & May, to balance account, $8.

"Enter these remittances received to-day: Check, $50, from A. B. Rider & Son, to balance invoice January 2; and a check for $75 from W. A. Crocker & Co., to apply on account.

"What is the total amount of the cash sales to-day?" (Per cash sales checks, $75.)

January 30. — "Deposit to-day $440.

"Mail checks to these firms: M. A. Wait, on account, $250. C. B. Moore & Co., to balance account, $55. C. H. Odell & Co., on account, $60. C. Johnson & Co., on account, $250.

"Pay this bill of $22 for stationery by check, to Wells, Smith & Co.

"What is the total amount of the cash sales to-day?" (Per cash sales checks, $50.)

January 31. — "Rule and balance the Cash Book for the month."

The Journal

70. The Journal is used for all entries that can not be made in either the Sales Book or the Cash Book. By this is meant all miscellaneous entries. The usual form of Journal is illustrated on page 51.

EXERCISE 14

Make the entries in the Journal for the following transactions: —

Manager's Instructions to his Bookkeeper

January 2. — "I began business this day, investing $3000 in merchandise."

January 5. — "George F. Monroe & Co. have written advising us of an error of $2.50 in invoice to them of January 2. Investigate, and if there was such an error, make the correction."

NOTE. — This is to be done by a new entry — not by making any change in what has already been written.

"C. B. Frost & Co. have inclosed to us this Debit Memorandum." (Page 87.)

CHICAGO, January 5, 19....

C. B. FROST & Co.

JOHN STEWART & Co., City.

Debit Memorandum.

25 lb. currants	@ 5¢	$1.25

Shortage on invoice January 3.

"Ascertain the facts regarding it from the shipping clerk. . . . Did he tell you that one of the barrels fell from the wagon, thus accounting for the shortage? Very well, give C. B. Frost & Co. credit for the shortage."

January 26. — "George F. Monroe & Co. inclosed to us their note to balance account, $122.50, dated January 21, for 30 days, payable at the Milwaukee Students' Bank.

"A. B. Rider & Son inclosed in their letter this note: $200, dated January 24, for 60 days with interest at 6%, payable at the Rock Island Students' Bank."

January 31. — "Give me credit for salary at the rate of $150 a month.

"Credit H. O. Sweet & Co. with rent, $250 a month.

"Write out a note for $355 to the order of Reid, Smith & Son, and date it to-day, payable in 30 days at the Students' National Bank, to balance our account to February 1. Before writing the note see if it will balance the account, or that you have invoices on file to cover the amount." (See page 52.)

"This is the last day of the month. Do not fail to journalize the invoices received during the month." (See page 52.)

NOTE. — Copy the invoices on blanks, filling in the year, and then journalize them, crediting the various firms and dealers with the goods supplied, and debiting the proper representative accounts. What entry was made in the Cash Book, under date of January 30, for $22? If Wells, Smith & Co. were debited with this amount, their invoice (page 52) should be journalized with the rest; if the amount was charged directly to the representative account, no Journal entry is now necessary for that invoice.

Mark on each invoice the account which is to be charged with the amount, and as soon as the invoice is entered in the Journal, write on the invoice the Journal page on which it is entered, thus: "Entered, J. 2."

Journal

11

Chicago, February, 1901.

		11				
23	Sales			8 00		
44		C.G. Warner & Co.			8	00
	2 bbls. Pillsbury Flour returned as defective @ $4.00					
	C.G. Curtiss			265 00		
22		Bills Payable			265	00
	Note dated Feb. 1, 1901, at 3 months, payable at the City Bank					
		13				
	Traveling Expense			85 50		
		W.A. Seymour Exp.			85	50
	Sundry items		55.50			
	Mileage book #3678 1500 miles @ 2¢		30.00			
	Total expense for Jan.		85.50			
		22				
	Mileage			20 00		
		W.A. Seymour Exp.			20	00
	Mileage book #3678 returned					
	500 miles @ 2¢		10.00			
	Rebate cover		10.00			
		28				
	Merchandise	Sundries		129 75		
		M.A. Lord & Co.			116	25
	Invoice Feb. 4		65.50			
	" " 6		15.75			
	" " 11		35.00			
		D.M. Shea & Co.			13	50
	Invoice Feb. 15		13.50			

NOTE. — A few of the entries in the above specimen Journal are posted in the specimen Ledger on page 53.

Invoices received during the Month

CHICAGO, Ill., January 4, 19....

JOHN STEWART & Co., City.

Order No. 3. Bought of REID, SMITH & SON.

15 bbls. vinegar, each 50 gal.,	@ .10	$75.00	
20 chests Oolong tea, each 40 lb.,	@ .35	280.00	$355.00

CHICAGO, January 5, 19....

JOHN STEWART & Co., City.

Order No. 2. Bought of C. B. MOORE & Co.

10 bbls. oatmeal,	@ $5.50	$55.00

NEW YORK, January 10, 19....

JOHN STEWART & Co., Chicago.

Bought of C. JOHNSON & Co.

25 bbls. W. C. sugar, each 330 lb.,	@ .04	$330.00	
30 bbls. N. O. molasses, 1500 gal.,	@ .38	570.00	$900.00

MINNEAPOLIS, Minn., January 4, 19....

JOHN STEWART & Co., Chicago.

Bought of M. A. WAIT.

25 bbls. flour,	@ $3.50	$87.50	
100 boxes Ivory soap,	@ 3.50	350.00	$437.50

CHICAGO, January 30, 19....

JOHN STEWART & Co., City.

Bought of WELLS, SMITH & Co.

5000 Bill heads,	$5.00	
2000 Letter heads,	7.00	
5000 Envelopes,	5.00	
5000 Business cards,	5.00	$22.00

Paid,

Wells, Smith & Co.

CHICAGO, January 5, 19....

JOHN STEWART & Co., City.

Order No. 5. Bought of C. H. Odell & Co.

2 Curtain desks,	@ $25.00	$50.00	
2 Chairs,	@ 10.00	20.00	$70.00

CHICAGO, January 3, 19....

JOHN STEWART & Co., City.

Order No. 6. Bought of GEORGE BEECHER & SON.

50 bbls. apples,	@ $3.85	$192.50

The Ledger

71. The Ledger contains the accounts of a business, showing the results of its transactions, arranged according to the persons and things to which they refer.

Ledger

21

Bills Receivable

1901							1901						
Jan.	28	C. H. Lyman	J	7	225	00	Feb.	27	C. H. Lyman	C	4	225	00

22

Bills Payable

1901							1901						
Feb.	15	C. G. Curtiss	C	5	65	70	Jan.	12	C. G. Curtiss	J	5	65	70
							Feb.	11	C. G. Curtiss	J	11	265	00
								28	City Bank	C	4	500	00

23

Sales

1901							1901						
Feb.	11		J	11	8	00	Feb.	28		S	1	355	00
								28		C	4	1024	45

44

C. G. Warner & Co.

1901							1901		Kansas City, Mo.				
Feb.	5		S	1	40	00	Feb.	11	Mdse ret'd.	J	11	8	00
	12		S	1	105	00		16		C	4	95	00

55

Wm. B. Dee & Co.

1901							1901		St. Louis, Mo.				
Feb.	7		S	1	115	00							
	28		S	1	95	00							

NOTE.—The above Ledger contains entries posted from the Books of Original Entry on pages 46, 48, 49, and 51.

The Ledger is ruled to meet the requirements of the business engaged in. Each page is usually ruled with a debit and a credit side, separated by a heavy line.

When only one Ledger is used the accounts are arranged therein so that the stock accounts come first, and following them the representative accounts, the partners' private accounts, and the traveling agents' accounts, etc. Then ample space is allowed in case any other accounts of the same nature should be added during the year. In the middle of the Ledger the customers' accounts appear, and in the back of the Ledger the purchase accounts.

EXERCISE 15

Post the Books of Original Entry of John Stewart & Co. as follows (see rules for posting, below):—

January 2. — Turn to the Journal and post the entry made on this date. Next post the Sales Book, then the Cash Book.

January 3. — Post the Sales Book.

January 5. — Post the Journal.

January 12. — Post the Cash Book.

January 15. — Post the Sales Book.

January 26. — Post the Journal.

January 28. — Post the Cash Book.

January 30. — Post the Cash Book.

January 31. — Post the Journal, Cash Book, and the Sales Book. The Ledger is now ready for the trial balance.

EXERCISE 16

Take off a trial balance. (See page 26.)

Posting the Books of Original Entry

72. When posting from the Journal write the letter "J" (for Journal) just before the number entered in the folio column in the Ledger; write the letter "C" if posting from the Cash Book, and the letter "S" if from the Sales Book.

73. The Sales Book. — Post daily the amounts to the debit side of the individual accounts. On the last day of the month rule off the Sales Book and post its total amount to the credit of Sales account.

74. The Cash Book. — Post daily the amounts from the sundries column on the debit side of the Cash Book to the credit side of the proper accounts in the Ledger, and also the amounts from the sundries column on the credit side of the Cash Book to the debit side of the proper accounts in the Ledger.

The total of each special column, headed "Sales" and "Expense" (in the Cash Books of some houses there are also others), is posted at the end of the month to its respective account.

When there is a Cash account in the Ledger, post the total cash receipts to the debit of Cash account at the end of the month, and also the total cash disbursements to the credit of Cash account.

75. The Journal. — Post daily the amounts in the debit column to the debit side of the proper accounts, and also the amounts in the credit column to the credit side of the proper accounts.

76. Many bookkeepers do not insert the Ledger pages in the Books of Original Entry until the amounts have been posted. While this is correct, yet in large houses too much time would be lost if this method were adopted, since the Indexes and Ledgers are in demand at

all hours of the day. It is therefore necessary that the bookkeeper, or his assistant, insert the folios in the Books of Original Entry whenever the indexes are available. As each amount is posted, the folio opposite is checked, thus: "√," and at the same time the folio of the Book of Original Entry is written in the Ledger opposite the amount.

Bank Account — Checking

77. The Bank Account is a part of the Cash account, and need not be an account in the Ledger, but a record of it should be kept in the Check Book, as shown on page 44.

When the amount of the debit side is in excess of that on the credit side, the difference is the *balance in bank*, but when the amount of the credit side exceeds that on the debit side, the difference is the *balance overdrawn*, often called "overdraft."

At the end of each month the Deposit Book should be left at the bank to be balanced, in order to ascertain the exact balance in bank according to the bank's books.

To the Teacher. — The Deposit Book, which was left at the bank (with the teacher) to be balanced, at the end of Exercise 13 (see note, page 49), is now to be returned to the student, with the cashed checks. Let it show as cashed all the checks issued in Exercise 13 except No. 4 — that for $55 in favor of C. B. Moore & Co., which the teacher should retain.

Several students may be appointed bank clerks to write up the Deposit Books from the illustration on page 43, and to inclose the cashed checks in each student's book. If desired, however, the student may write up his own Bank Book according to the instructions given.

As check No. 4 is supposed to be still out, the Deposit Book should appear as follows: —

Deposits				Checks Returned					
1901									
Jan.	2	Deposit,	2000 00	25 00	60 00				
	30	"	440 00	250 00	250 00				
				250 00	22 00				
					857 00				
				Balance (red ink)	*1583 00*				
			2440 00		2440 00				
Feb.	1	Balance,	1583 00						

EXERCISE 17

Check the Bank Account, as directed in the general rule below.

78. Checking the Bank Account. *First.* — Check the deposits in the Check Book with those in the Deposit Book, or on the bank's statement; check with the latter when it is received.

Second. — Compare the stubs in the Check Book with the returned checks, marking the stub of each returned check, thus: "√." Great care must be exercised in having the stubs correspond with the checks. When the amount on the returned check is different from that on the stub (provided the check has not been fraudulently raised), the latter should be made to agree with the check (the amount paid by the bank). See that the correction is also made in the Cash Book.

Third. — Carefully examine the Check Book, for the month, and on a slip of paper prepare a list of the numbers and amounts of all outstanding checks, heading it "Checks Out." It frequently occurs that some checks of previous months have not been presented at the bank; therefore examine far enough back so as to obtain all those that are still out.

Fourth. — On the slip write the sum of the deposits, and underneath it the amount to which the checks drawn "foot up," according to the Check Book. The difference should give the balance in bank per Check Book. Compare this balance with that shown by the Deposit Book or the bank's statement. If there are checks outstanding, the bank's balance will be greater. Hence, to obtain the bank balance, add the sum of the checks out to the balance which the Check Book shows, on the balance slip. This slip of paper should be filed with the returned checks. If preferred, the report may be copied in red ink on the debit side of the Check Book. Use for this purpose the page opposite the last check drawn on date of balancing.

Continue the next month's business on the Check Book, proceeding as before; and in making up each subsequent month's balance, if any information is required, refer to the previous slip on which the Bank account was balanced.

Monthly Bank Account Memorandum

H. B. Clay & Co., February 28, 1901

Balance per Check Book, Feb. 7,	$ 2341.43
Sum of deposits from Feb. 7 to Feb. 28,	3964.60
	6306.03
Sum of checks drawn from Feb. 7 to Feb. 28,	5809.00
Balance in bank per Check Book, Feb. 28,	497.03
Check out, Feb. 28, No. 15,	9.75
Balance in bank, per Bank Book,	506.78

Cash Account — Balancing

79. The Cash account, being the most important account in a business, has a book ruled especially for it, called the "Cash Book." The Cash Book should contain a full record of all the money, consisting of Checks, Currency, Bank Drafts, and Money Orders, received and paid out. A receipt should also be on file for every item paid out.

It is customary to balance the Cash Book daily and to compare its balance with the amount of cash in the bank and in the drawer. This is called "Balancing the Cash."

80. Balancing the Cash. *First.* — Count the contents of the cash drawer, placing the amounts of currency, checks, money orders, etc., in separate columns. The sum of the different columns should represent what there is in the cash drawer.

Second. — Find the balance in bank, as shown by the Check Book. This amount, combined with what there is in the drawer, gives the balance on hand. The Cash Book balance should agree with this amount; if it does not, an error has occurred. If the Cash Book balance is the greater, the Cash is *short*, but if the amount in the drawer when combined with that in the bank is the greater, the cash is *over*.

Sometimes, instead of a balance in bank, the Check Book may show an overdraft, or bank balance overdrawn; that is, the total amount of checks drawn may be greater than the sum of the deposits. Such an overdraft may be greater or less than the amount in the drawer. If it is less, subtract it from the amount in the drawer, and the difference is the balance on hand. When the overdraft is in excess of the amount in the drawer, deduct the latter amount from the overdraft, and the difference is the cash balance overdrawn. The balance should agree, both in amount and in kind, with the Cash Book balance.

The cash should be balanced daily, in a small book or on a sheet of paper. In the latter case file the papers in an envelope for future reference.

Daily Cash Balance Sheet

JANUARY 15, 1901

Currency and Coin.		Checks.	Money Orders.	Dr. Cash Tickets.
$40.00	in gold	$85.50	$8.75	$25.00 C.B.M.
80.00	" $20 bills	120.00	15.00	5.00 Freight
50.00	" 10 "	35.50	20.00	30.00
35.00	" 1 "	13.08	43.75	
7.25	" 25¢	7.50		
.55	" 5¢	10.50		Cr. Cash Tickets.
.23	" 1¢	272.08		$5.00 H.B.C.
213.03	Currency and Coin			
272.08	Checks			
43.75	Money Orders		Cash Book.	
30.00	Dr. Cash Tickets		Cash received	$1676.30
558.86	In drawer		Cash paid out	647.44
5.00	Cr. Cash Ticket		Balance on hand	1028.86
553.86	Balance in drawer			
475.00	Balance in bank			
1028.86	Balance on hand			

TO THE TEACHER. — In order that the students may thoroughly understand the above rule and may acquire experience in balancing cash, in Exercise 18, each student should be supplied with blank cards (or anything else to represent money) and blank checks. These checks may be taken from the back part of the Check Book. The currency and checks received should be placed in his cash box, upon their receipt, after the entries have been made, and should be taken out as they are required.

EXERCISE 18

The name of the firm in this exercise is D. C. Raymond & Co. The manager is D. C. Raymond. It is assumed that the firm has existed for some time. The transactions for the Cash Book date from February 1, with a cash balance overdrawn.

For the following transactions make the entries in the Cash Book, Check Book, and Deposit Book, and balance the cash at the end of each day's transactions.

Manager's Instructions to his Bookkeeper

February 1. — "On January 31 the Cash account showed a balance of $350 as overdrawn. This was also the amount overdrawn at the bank." (Enter the balance in the Cash Book and also in the Check Book.)

"Enter this check for $750, from W. D. Lowe & Co., to pay their note due to-day; and this check for $250, from D. M. Bates & Co., to balance account.

"Deposit this morning the checks in the safe ($1000) to make good the overdraft, as shown by the Check Book.

"Write out a check for $50, to the order of currency, for the cash drawer." (Currency received from bank: One $20 bill, two $10 bills, one $5 bill, four silver dollars, three 25-cent pieces, and five 5-cent pieces.)

"Write out a check for $35 to the order of May & Harvey for a desk and chair purchased of them to-day.

"Enter these remittances: Wells, Morgan & Co., check for $275 on account; M. A. White's check for $35.75, to balance account."

NOTE. — Fill out blank checks for the remittances received, placing the checks in the cash box.

"Give the errand boy 75 cents for a box of pens.

"Give the teamster $5.25 in currency to pay the freight charges on goods received from Brown & Roy, New York, bought f.o.b., New York."

February 2. — "This is the money which the errand boy collected: G. A. Chase & Co., on account, check for $65; Russell & White, to balance account, check for $45.50; C. M. Lord & Co., on account, currency, $10.50." (Currency received: Two $5 bills and one 50-cent piece. Fill out blank checks for the other amounts.)

"Write out a check for $150 to my order and then prepare the deposit." (Total amount, $421.25.)

"When you go to the bank, have this check cashed for me."

February 5. — "Mail checks as follows: H. O. Sweet & Co., rent for February, $150; Reid, Smith & Son, on account, $375; F. B. Long & Co., to balance account, $25.50."

February 11. — "Write out a check for $175 to the order of the Students' National Bank, for our note due to-day, which we gave to Reid, Smith & Son.

"Let me have $25. Make a ticket for it, and I will report later."

NOTE. — On a slip of paper make a Debit Ticket by writing the word "Debit," and also the date and the amount, and have it signed by the party (D. C. Raymond). Place it in the cash box and include it in the Cash when balancing.

"Enter this currency, $15, received for cash sales." (Currency received: One $10 bill and one $5 bill.)

February 15. — "Send out for 500 2-cent stamps.

"Charge me with $10 of that ticket you have in the drawer. Here is the remaining $15. Be sure you destroy the cash ticket." (Currency received: One $10 bill and one $5 bill.)

"Give Mrs. D. C. Raymond $25 in currency and charge it to my account."

QUESTIONS FOR DISCUSSION

1. A bill of merchandise is paid for by a check, but the check proves worthless. What entries should be made, and why? 2. Is a business transaction ever recorded in which there is only one party — the proprietor? Explain. 3. What different things might, under varying circumstances, be treated in your records as cash? 4. Suggest a set of books for a private household. Suggest ledger accounts. 5. Suppose that on balancing the cash it is found to be $5 over and that this can not be accounted for. What entry should be made?

MONTHLY STATEMENTS

81. A Statement is a copy of an account, including dates and amounts, as it appears on the Ledger.

Statements are rendered to debtors the first of every month. This is done to insure prompt remittances and to enable debtor and creditor to make their books harmonize.

82. Taking off a Statement. *First.* — At the head of the statement write the date on which it is made and the name and address of the debtor.

Second. — Copy the debits, with the date and amount of each entry, writing the amounts in the first money column. When the entry is from the Sales Book, write the abbreviation "Mdse." and for the Cash Book the word "Cash," but when it is from the Journal, turn to the Journal (if the explanation is not in the Ledger) and obtain the explanation, which should be worded briefly on the statement. After the debits have been taken off draw a line and add, writing the sum in the second money column.

Third. — Proceed to copy the credits, if any, first writing "Cr." in the middle of the next line. Write the credit amounts in the first column and their total amount in the second column. Then subtract the total amount of the credits from the sum of the debits, which will give the balance.

Statement

New York, April 1, 1901.

L. L. WILSON,
ROCHESTER, N. Y.

In Account with E. H. EARL & CO.,
WHOLESALE DRY GOODS.

1901

March	2	Mdse.,	38	50		
	9	"	75	00		
	15	"	100	00		
					213	50
		CR.				
March	5	Mdse. ret'd,	10	00		
	9	Cash,	28	50	38	50
		Balance,			175	00

EXERCISE 19

Render statements to the customers of John Stewart & Co. according to the Ledger which you made in Exercise 15.

83. Statements are received from creditors the first of every month, and should be checked as soon as possible after receipt. Each month's statements are generally preserved; all may be destroyed, however, except the final month's statements and any previous ones whose accounts are in dispute and unpaid.

When errors are discovered, notify the creditor so as to enable his bookkeeper to have the next month's statement correct. Keep statements checked up from month to month.

84. Checking a Statement. *First.* — Turn to the Ledger account with which the statement is to be checked. As the statement is one from another firm, the debits on the statement will appear as credits on the Ledger, and the credits on the statement will appear as debits on the Ledger.

Second. — If the credit side of the account gives other than the exact dates and amounts of the debits on the statement, refer to the Journal entries and ascertain the dates and amounts according to the invoices. In cases of agreement, check each amount by using a check on the Ledger and statement, thus: "√."

Third. — Should dates and amounts be discovered on the statement not appearing on either the Ledger or the Journal, insert (in pencil or red ink) on the statement, opposite the amount or amounts, the words "No invoice."

Fourth. — Should the date, but not the amount, agree with the Ledger, ascertain the difference. By referring to the invoice see if the correct amount was entered on the Journal and posted correctly. When convinced that the invoice is correct, and also the amount on the Ledger, insert the difference in pencil on the statement opposite the amount. After all debits on the statement have been checked with credits on the Ledger, proceed to check the credits with the debits on the Ledger.

Fifth. — Should errors be discovered, make a note of them (in pencil or red ink) on the

statement directly under the last written line, and deduct or add as the case may require. After the statement is made to agree with the Ledger, mark the statement "O.K." and sign your initials.

Statement

New York, May 1, 1901.

M Bliss & Wells,
Chicago, Ill.

To M. D. Lowell & Co., Dr.

April	1	Balance,	138	90	✓		
	10	Mdse.,	15	00	✓		
	12	" Overchg. on statem't, 7.00	67	50			
	20	"	43	75	✓		
	29	" No invoice,	13	50	✓		
	30	"	6	75	285	40	
		Credit.					
April	8	Cash,	38	90	✓		
	17	"	50	00	✓		
	25	Note,	155	00	✓ 243	90	
		Balance,			41	50	
		Cr.					
April	12	Overchg. on statem't,	7	00			
	29	No invoice,	13	50	20	50	
		Balance,			21	00	
		O.K. C.S.					

SECTION II. CLOSING THE BOOKS

85. Closing the Books is the process of ascertaining the exact condition of a business.

This term, "Closing the Books," does not imply that they are literally closed not to be reopened, for they are generally continued in use. Some firms, however, procure a new set, or at least a new Ledger, and file the closed Ledger for reference.

86. Why Closed. The purpose of closing the books is to determine, at stated periods, the financial standing of the firm, also its net loss, or net gain, and the present worth. This is done for the benefit of those who have an interest in the business.

The books of a business are closed at least once or twice a year; but the frequency of closing varies with different firms. It is customary to let the closing of the books date from the last day of a month, although circumstances often necessitate closing before the end of the month.

87. An Inventory is a written account of all goods and property on hand, figured at cost or present value. It is always required in order to close the books properly.

Inventory Book

WALKER & BENNETT, January 1, 1901

	Inventory of Mdse.						
4	dozen Brooms,	@	$4.25	17	00		
138	lb. Prunes,	@	.16	22	08		
65	bars Ivory Soap,	@	.03	1	95		
25	bbls. Flour,	@	5.50	137	50		
15	" Apples,	@	4.50	67	50	246	03
	Inventory of Office Furniture.						
3	Desks,	@	$25.00	75	00		
6	Chairs,	@	1.50	9	00		
3	Chairs,	@	2.50	7	50		
1	Bookkeeper's Desk,	@	12.50	12	50		
1	Stool,	@	5.00	5	00	109	00
						355	03

EXERCISE 20

Close the books of John Stewart & Co. according to the following method. As the first two steps have been taken, begin now at the third one and insert the inventories herewith appended: —

John Stewart & Co.
Inventories.

Merchandise	$4565.50
Furniture and fixtures	67.50

THE BOOKS — HOW CLOSED

88. Method of Closing. *First.* — Take an inventory of all property and goods on hand, such as merchandise, furniture and fixtures, horses and wagons, real estate, etc.

Second. — See that all the ordinary entries for the month have been made and posted. Then take off a trial balance.

Third. — Transfer the balance of Sales account, by Journal entry, to Merchandise account, thus: —

Sales

Merchandise

(Explanation.) Being the total sales for the ---------- ending ----------

NOTE. — This entry may be omitted, if desired, as it is becoming obsolete. By omitting it, the debit side of Loss and Gain account will be made to show the "Expenses" of a business, including the cost of the goods sold, while the credit side will show the "Earnings." The balance of Sales (Earnings) account will be transferred in the "Gain (Earning) Entry," and the balance of Mdse. (Cost) account in the "Loss (Expense) Entry" shown in the fourth step, page 65. When this method is used, the "Loss and Gain" statement should be called "Expenses and Earnings."

After posting the above entry (see illustration, page 62), insert the Inventories in the Ledger in red ink. Enter the Resource Inventories on the credit side of their accounts, and the Liability Inventories, if any, on the debit side of their accounts. Add these accounts again and determine their balances.

NOTE. — Liability inventories are such items as pay roll and salaries which are unpaid and not credited on the Ledger to the personal accounts of the individuals, also interest due on notes and bonds outstanding, etc.

Ledger

W. B. Potter (Stock)

1901						1901						
Dec.	31	Bal. (Pres. worth)		11941	75	Oct.	1		J	1	2500	00
							1		C	2	7500	00
						Dec.	31	Gain	J	10	1941	75
				11941	75						11941	75
						1902 Jan.	1	Balance			11941	75

Cash

1901						1901						
Oct.	31		C	2	8250 00	Oct.	31		C	3	517	00
Nov.	30		C	6	600 00	Nov.	30		C	7	1000	00
Dec.	31		C	8	1000 00	Dec.	31		C	9	1085	50
					9850 00						2602	50

Merchandise

1901						1901						
Oct.	1	Inventory	J	1	2000 00	Dec.	31	Sales	J	10	6450	00
	31		J	3	5000 00		31	Inventory			4785	50
Nov.	30		J	5	750 00							
Dec.	31	Loss & Gain	J	10	3485 50							
					11235 50						11235	50
1902 Jan.	1	Inventory			4785 50							

Sales

1901						1901						
Dec.	31	Mdse.	J	10	6450 00	Oct.	31		S	5	2000	00
							31		C	2	750	00
						Nov.	30		S	7	1200	00
						Dec.	31		S	8	2500	00
					6450 00						6450	00

Expense

1901						1901						
Oct.	31		C	3	367 00	Dec.	31	Loss & Gain	J	10	1252	50
Dec.	31		C	9	885 50							
					1252 50						1252	50

Ledger — *Continued*

Bills Payable

						1901 Dec.	16	Miller & Brown	J	8	1500 00
							26	E. G. Spencer Co.	J	8	2000 00
											3500 00

Furniture & Fixtures

1901						1901					
Oct.	1	Inventory	J	1	500 00	Dec.	31	Inventory			475 00
							31	Loss & Gain	J	10	25 00
					500 00						500 00
1902 Jan.	1	Inventory			475 00						

Michigan Central R.R. Stock

1901						1901					
Nov.	15		C	5	1000 00	Dec.	31	Inventory			1000 00
1902 Jan.	1	Inventory			1000 00						

Traveling Expense

1901						1901					
Oct.	31		J	3	75 50	Dec.	31	Loss & Gain	J	10	266 25
Nov.	30		J	6	85 00						
Dec.	31		J	9	105 75						
					266 25						266 25

Loss & Gain

1901						1901					
Dec.	31	Expense	J	10	1252 50	Dec.	31	Mdse.	J	10	3485 50
	31	Furniture & Fix	J	10	25 00						
	31	Traveling Exp	J	10	266 25						
	31	W. B. P. Stock	J	10	1941 75						
					3485 50						3485 50

Ledger — *Continued*

John H. Curtiss (Expense)

1901						1901					
Oct.	15		C	3	150 00	Oct.	31		J	3	75 50
Dec.	9		C	9	200 00	Nov.	30		J	6	85 00
					350 00	Dec.	31		J	9	105 75
											266 25

Wright and Lord Detroit, Mich.

1901						1901					
Oct.	23		S	5	750 00	Nov	4		C	4	600 00
Nov.	25		S	7	150 00		30		J	5	600 00
	27		S	7	1000 00						1200 00
					1900 00						

Miller and Brown Chicago, Ill.

1901						1901					
Dec.	16	30 day note	J	8	1500 00	Oct.	31		J	3	1500 00
	20		S	8	2500 00	Nov.	30		J	5	150 00
					4000 00	Dec.	26		C	8	1000 00
											2650 00

E. G. Spencer Co. Chicago, Ill.

1901						1901					
Oct.	3		S	1	500 00	Oct.	31		J	3	3500 00
	15		S	3	750 00						
Nov.	12		S	6	50 00						
Dec.	26	30 day note	J	8	2000 00						
					3300 00						

NOTE. — The inventories, like the transferred balances, might be journalized; but this is rarely done. If the inventories were journalized, the entry would be as follows: —

Sundries	Sundries
Furniture and Fixtures	
Merchandise	
Etc.	Furniture and Fixtures
	Merchandise
	Etc.

The credit side of such an entry for resource inventories is posted before the books are closed, and the debit side after the books are closed. For liability inventories, however, the debit side is posted before and the credit side after.

Fourth. — Make two Journal entries for the Losses and Gains: —

First entry: —

Loss and Gain Sundries

Being the total losses (or expenses) for the.....ending.....

This entry should contain all balances of accounts which show losses (or expenses).

Second entry: —

Sundries Loss and Gain

Being the total gains (or earnings) for the.....ending.....

This entry should contain all balances of accounts which show gains (or earnings).

Post these entries, writing in the explanation column of each account whose balance has been transferred the words "Loss and Gain," and in the explanation column of Loss and Gain account the names of the accounts whose balances have been transferred (see illustrations, pages 62, 63).

NOTE. — Check the postings of the above entries before taking the next step.

Fifth. — Make a Journal entry transferring the balance of Loss and Gain account to the proprietor's Stock account, or to the partners' Stock accounts, according to the contract, as the case may be.

When the Loss and Gain account shows a gain, the entry should read (in the case of a partnership): —

Loss and Gain Sundries

.....Stock

.....Stock

Being the net gain for the .....ending.....

When it shows a loss, the entry should read: —

Sundries Loss and Gain

.....Stock

.....Stock

Being the net loss for the.....ending.....

After posting the foregoing entry, Loss and Gain account will balance. Post each amount separately to Loss and Gain account, and post to each partner's Stock account with the word "Loss" or the word "Gain," whichever the business shows, as explanation. Then insert in red ink in each partner's Stock account his balance (present worth). Rule and bring the balance down in black ink to the opposite side (see illustration, page 62).

Sixth. — Carefully examine the Ledger and rule off every account that balances. Then bring down the inventories (using black ink) to the opposite side in each account and write in the word "Inventory," dating the entry the day following the closing of the books.

Seventh. — Take off a trial balance, called "Final Trial Balance," and enter every account that shows a balance, including the inventories.

89. It is necessary to rule off only the accounts that balance. Some bookkeepers rule every account, inserting the balance in red ink and then bringing it down in black ink. This would answer in a small business, but not in a large one, where there are thousands of accounts. It is customary to balance all the accounts in a Ledger only when a new Ledger is to be opened.

90. During the closing of the books the current business can be written up daily (allowing certain pages in the Journal for the final entries) with the exception of posting, which should not be done until after the books have been closed, unless a new Ledger has been procured for the succeeding year. If a new Ledger has been procured, the posting can be done daily, allowing space in such accounts as may have balances or inventories to be brought forward from the old Ledger after the books have been closed.

Financial and Business Statements

91. Resources and Liabilities. — The statement of the resources and liabilities shows the financial standing of a house. It is a copy of the final trial balance, except that the resources (the debits) are placed all together, and the liabilities (the credits) likewise, leaving the stock accounts to be entered last.

Resources and Liabilities

W. B. Potter & Co., January 1, 1902

		Resources	Liabilities
Resources			
Cash	on hand,	7247 50	
Merchandise	per inventory,	4785 50	
Furniture and Fixtures	per inventory,	475 00	
Michigan Central R.R. Stock	per inventory,	1000 00	
Wright and Lord,		700 00	
Miller and Brown,		1350 00	
John H. Curtiss (expense),		83 75	
Liabilities			
Bills Payable,			3500 00
E. G. Spencer Co.,			200 00
W. B. Potter Stock,			11941 75
		15641 75	15641 75

Resources and Liabilities — Condensed Form

W. B. Potter & Co., January 1, 1902

		Resources	Liabilities
Resources			
Cash	on hand,	7247 50	
Merchandise	per inventory,	4785 50	
Furniture and Fixtures	per inventory,	475 00	
Michigan Central R.R. Stock	per inventory,	1000 00	
Accounts Receivable	per list,	2133 75	
Liabilities			
Bills Payable,			3500 00
Accounts Payable	per list,		200 00
W. B. Potter Stock,			11941 75
		15641 75	15641 75

92. Losses and Gains. — The statement of the losses and gains is the business statement. It shows all the losses and gains, and the *net* loss or gain, during a certain period. It should be a copy of the Loss and Gain account in the Ledger, except that it is given a slightly different arrangement. The net gain or net loss is left until the last, and is entered in red ink.

Losses and Gains

W. B. POTTER & Co., January 1, 1902

	Losses	Gains
Losses		
Expense,	1252 50	
Furniture and Fixtures,	25 00	
Traveling Expense,	266 25	
Gains		
Merchandise,		3485 50
Net Gain, (red ink)	*1941 75*	
	3485 50	3485 50

EXERCISE 21

Make from your accounts statements which will show the exact condition of the firm of John Stewart & Co.

93. The Balance Sheet is a specially ruled sheet, showing the exact condition of a business. It consists of the Trial Balance, Inventories, Losses and Gains, Resources and Liabilities (Final Trial Balance), and the Stock accounts, arranged in separate columns. The form of Balance Sheet is illustrated on page 68.

Although the Financial and Business Statements are employed by most business houses, some firms prefer the Balance Sheet.

EXERCISE 22

Draw off a balance sheet from John Stewart & Co.'s books.

SECTION III. INCIDENTAL SUBJECTS

SPECIAL BOOKS OF ENTRY NAMED AND DEFINED

94. Among the Special Books of Entry are the City Sales Book, Country Sales Book, Sales (Order) Blanks, Sales Journal, Specially Ruled Cash Book, Credit Journal, Six-column Journal, Sales Ledger, Country Ledger, City Ledger, Purchase Ledger, and General Ledger.

NOTE. — In some business houses the Check Book, Bill Book, and Petty Cash Book are made Books of Original Entry in order to save labor. Any auxiliary book may be made a Book of Original Entry, provided it is specially ruled for that purpose — that is, with columns to explain and to indicate debits and credits, and for the pages of the Ledger accounts to which the entries are posted.

95. The City Sales Book contains a record of the sales made to customers in the city.

96. The Country Sales Book contains a record of the sales made to customers out of the city.

Balance Sheet

Balance Sheet W. B. Potter & Co. December 31, 1901.

ACCOUNTS	TRIAL BALANCE DR.	TRIAL BALANCE CR.	INVENTORY	LOSS AND GAIN LOSSES	LOSS AND GAIN GAINS	STOCK ACCOUNTS DR.	STOCK ACCOUNTS CR.	TRIAL BALANCE RESOURCES	TRIAL BALANCE LIABILITIES
W. B. Potter Stock		10000 00					11941 75		11941 75
Cash	7247 50							7247 50	
Merchandise	7750 00		4785 50		3485 50			4785 50	
Sales		6450 00							
Expense	1252 50			1252 50					
Bills Payable		3500 00							3500 00
Furniture and Fixtures	500 00		475 00	25 00				475 00	
Traveling Expense	266 25			266 25					
Michigan Cent. R.R. Stock	1000 00		1000 00					1000 00	
Accounts Receivable	2133 75							2133 75	
Accounts Payable		200 00							200 00
	20150 00	20150 00	6260 50						
			Net Gain	1941 75					
				3485 50	3485 50				
				Present Worth		11941 75			
						11941 75	11941 75	15641 75	15641 75

97. The Sales (Order) Blanks are used by many large houses in place of Sales Book, Order Book, and Shipping Book.

NOTE. — Sales Blanks are usually printed in quadruplicate. A white sheet is used for the Sales Department and receives the extensions. A pink sheet is used for the Order Department. A blue sheet, which some houses fill out to take the place of an invoice, is sent to the consignee. A yellow sheet is retained at the factory or works. The quadruplicate form necessitates the filling out of only one form by the writer, since carbon paper is used between the sheets.

Houses which employ traveling men find it advantageous to use these blanks. They are printed and the columns ruled to suit the line of business. The traveling men are supplied with them and are required to fill them out properly when forwarding orders. As soon as the orders are executed the items are checked on the blanks, which are returned to the office and filed in the Binders[1] of the different traveling men. The invoices are then rendered and the amounts on the blanks posted. When the orders are arranged in this manner a firm can readily ascertain each man's sales.

At the beginning of each month's sales several ruled sheets should be placed in the binder, headed "Sales for the month _____." These should be filled out to indicate the number and amount of each order the binder holds for that month, and on them should be noted, daily, the number and amount of each order shipped and posted. At the end of the month the amounts are added and the sum is posted to the credit of Sales account.

When using this form care must be taken to see that all the items have been shipped. Where any have been omitted they should be transferred to a new blank, marked "B. O." (back order).

Sales Blank

	DATE SOLD	H. B. CLAY & COMPANY	FOLIO
	Jan. 2/01.		*3.*
		Our Order No. 103. *Salesman, W. A. S.*	
○	TERMS	*Their Order No. 3875.*	DATE BILLED
	30 days.	*Sold to A. B. Rider & Son.*	*Jan. 2/01.*
	SHIPPED	*Town, Rock Island.* *State, Ill.*	LEDGER PAGE
	Jan. 2/01.	*Ship via C. R. I. & P. R. R.* *Remarks,*	*25.*

	QUANTITY		ARTICLES		PRICE	Salesmen must not use these columns			
		5	*bbls. Parkesburg Flour,*	@	*4.00*	*20*	*00*		
		1	*hhd. Molasses, 100 gal.,*	@	*.50*	*50*	*00*		
○		*25*	*pails Extra Large Mackerel,*	@	*2.50*	*62*	*50*		
		20	*bags Rio Coffee, 2800 lb.,*	@	*.26*	*728*	*00*		
								860	*50*

98. In large houses the binders are arranged differently, one binder being used for each day's business. The Sales Blanks are then journalized in a Sales Journal, often called "Sales Register," and filed for reference.

99. The Sales Journal contains a record of the Sales Blanks. It is used only in large houses.

[1] A Binder consists of two heavy pasteboard covers with two perpendicular rods at one end.

100. Specially Ruled Cash Book. — Large houses have their Cash Books ruled to suit the business. The chief difference between the special and the ordinary Cash Book is that the former has more columns for special accounts, whose footings are posted daily or monthly. This is done to save work.

For the general principle of the special column, review pages 47–49. In the Cash Book illustrated below, however, two features need explanation.

1. The Discount column, used in order to save Journal entries of discounts allowed on sales and purchases, differs from the other special columns in that its items do not represent cash. Therefore, do not include its total in the Cash account represented by the General or Sundries column, but post thus: Post the total amount of the debit side to the debit side of Discount account, and the total amount of the credit side, if any, to the credit side of Discount account. And when posting to a personal account, include the item of discount (if any) in the amount posted (*e.g.* W. D. Ames is to be credited with $140.25).

2. When more than one Ledger is used, there are generally separate columns in the Cash Book to indicate the Ledger to which each amount is to be posted. For example, the Sales Ledger column contains the amounts to be posted daily to the Sales Ledger, the Purchase Ledger column those for the Purchase Ledger, and the General Ledger columns those for the General Ledger. (See page 71 for explanation of these Ledgers.)

The different Ledgers may be treated as merely so many divisions of one Ledger; or, as is usually the case, the General Ledger may contain an account to represent each of the other Ledgers, so that a trial balance may be taken from the General Ledger alone.

The account representing the Sales Ledger is called Sales Accounts. The debit side of this account is the same as the sum of all the debits in the Sales Ledger, and the credit side is the same as the sum of all the credits in the Sales Ledger. Sales Accounts account is debited with the total sales shown on the Sales Book (for this is the total of the items with which the customers' accounts in the Sales Ledger are debited); and is credited with the total settle-

Specially Ruled Cash Book (Left-hand Page)

22

DR. CASH

1901				Ledger Page	Discount	Cash Sales	Sales Ledger	General Ledger
Dec.	30	Amounts bro't for	ward		65 75	6755 00	35785 50	5675 23
		W. D. Ames	balance acct.		2 75		137 50	
		Chas. Good	on acct.				75 00	
		R. T. Lord & Co.	invoice of 11/30		1 20		66 00	
		Bills Receivable	W. Penn ck. 362.50 dis. 3.00					365 50
		Cash Sales	per Cash Sales Book			475 50		
	31	J. J. Ward	on acct.				250 00	
		Monroe & Co.	Nov. acct.				67 55	
		Cash Sales	per Cash Sales Book			750 00		
		Taylor & White	deposit sight dft.				75 00	
		Discount Dr.	(Sales Accounts Cr.)		69 70			
		Cash Sales Cr.				7980 50		7980 50
		(Sales Accounts Cr.)					36456 55	36456 55
		Cash Dr.	total receipts					50477 78

ments by customers as shown on the Credit Journal and the Cash Book — *i.e.* with the totals of the Sales Ledger and debit Discount columns, these entries being indicated by the words in parentheses in the specimen Cash Book on page 70 (for these totals, together with those of the Credit Journal, are the same as the sum of the items with which the customers' accounts in the Sales Ledger are credited). In a similar way the Purchase Accounts account represents the Purchase Ledger.

NOTE. — When a firm discounts or pays bills promptly before the last day of the month, the amounts may be charged, on the Cash Book, direct to the representative accounts, provided no accounts are desired with the parties from whom goods are bought, and great care is exercised to avoid paying a bill twice.

101. The Credit Journal is used for journalizing the invoices received, also for all credits to customers on sales. This book is required only in large houses where there are so many credits daily that they occupy the entire attention of one clerk.

102. The Six-column Journal is of great advantage in certain lines of business. It generally takes the place of the Sales Book, Cash Book, and Journal. This makes it the only Book of Original Entry. It has three columns at the left for debits, and three at the right for credits. Similar Journals may have more than three columns on each side. From the illustration on page 72 explain its use.

103. The Sales Ledger contains the accounts of all customers. Instead of one Sales Ledger, some houses have two — the Country Ledger and the City Ledger.

104. The Country Ledger contains the accounts of the customers located out of the city.

105. The City Ledger contains the accounts of the customers in the city.

106. The Purchase Ledger contains the accounts of houses from which goods are purchased.

107. The General Ledger contains the representative accounts, the partners' accounts, and the traveling agents' accounts; also the purchase accounts, when a Purchase Ledger is not used.

Specially Ruled Cash Book (Right-hand Page)

CASH 23 CR.

1901				Ledger Page	Discount		Expense		Purchase Ledger		General Ledger	
Dec.	30	Amounts bro't for	ward		57	50	927	50	18965	00	7995	05
		C. R. Cady	bal. acct. to Dec. 1		7	55			375	00		
		Expense	500 2¢ stamps				10	00				
		Expense	2 boxes of pens				1	50				
		Bills Payable	C. R. Cady								600	00
		Discount	on W. Penn's note								3	00
	31	Rent	Dec. rent								500	00
		Pay Roll	per Pay Roll Book								950	00
		Mdse.	Vance & Co. inv. 12/26								2	75
		Gas	Dec. Gas bill								10	75
		Stationery	Wells & Co. inv. 12/5								6	75
		L. Troy & Co.	invoice 12/27						45	75		
		Discount Cr.	(Purchase Accts. Dr.)		65	05						
		Expense Dr.					939	00			939	00
		(Purchase Accounts	Dr.)						19385	75	19385	75
		Cash Cr.	total disbursements								30393	05

Six-column Journal

Chicago, January, 1901.

Mdse.	Cash	Sundries	Ledger Page	Debit / Credit	Ledger Page	Sundries	Cash	Mdse.
				8				
		37 37		Bills Receivable				
				A. C. McKay		37 37		
				Five days' sight draft accepted to balance acct.				
				10				
		2 50		Eastland & Son				
				Mdse.	✓			2 50
				25 lb. Whitefish returned @ 10¢ lb.				
	75 00		✓	Cash				
				B. D. White		75 00		
				On account				
				31				
94 42			✓	Mdse. Sundries				
				Eastland & Son		36 92		
				Invoice Jan. 2, 21.32				
				" " 8, 15.60				
				C. H. Smith		57 50		
				Invoice Jan. 8.				
		34 42		Eastland & Son				
				Cash	✓		34 42	
				Balance acct.				
94 42		94 42		Dr. Mdse. Cr.		2 50		2 50
	75 00	75 00		Dr. Cash Cr.		34 42	34 42	
		243 71	✓		✓	243 71		

Indexes

108. Each Ledger should have an index, giving the name and page number of each account. This should be either in the front part of the Ledger or in a separate book called "Index Book." It is more convenient when the Ledgers are large to use Index Books, as they save a great deal of time when posting. (See Posting, page 54.) The indexing of accounts is an important matter, and should be done promptly; that is, the name of each new account should be inserted in the Index immediately after the account is opened in the Ledger. Neglecting to index accounts often causes a delay in posting, and serious trouble may be caused by opening two or more accounts of the same name.

Besides the Ledger Indexes, many large houses have special Indexes containing the names of all kinds of articles likely to be purchased or manufactured, and opposite each the name of the representative account to which it is chargeable. This is necessary when invoices are O.K.'d and marked in different departments.

Partnership Books — How Opened

109. Ascertain the partners' investments from the contract, and make the entries accordingly. At the end of each entry write the words "Investment as per contract."

When a partner invests the resources and liabilities of an old business, whereby the new concern assumes the liabilities, the entry on the Journal should be as follows: —

Sundries	Sundries

Debit the resources and credit the liabilities, including the partner's Stock account.

Single-entry Bookkeeping

110. The difference between Single-entry and Double-entry bookkeeping is that Single Entry omits the representative accounts.

In Single Entry only personal accounts appear on the Ledger. As with these accounts alone it is impossible to ascertain the different losses and gains in a business, Single Entry is not practical. Also, errors made in Single-entry bookkeeping are often not detected because a trial balance can not be taken off the Ledger.

111. To change from Single Entry to Double Entry. *First.* — Take an inventory of all property and goods on hand, placing the items under the headings of representative accounts.

Second. — Prepare a statement of the resources and liabilities. The resources are the inventories, the cash on hand, the notes on hand (according to the Bill Book), and the accounts (according to the Ledger) due the firm. The liabilities are the notes which the firm has outstanding (according to the Bill Book) and the accounts (according to the Ledger) which it owes. When all the resources and liabilities have been entered on the statement, draw a line and add each column. Write the balance, as the proprietor's stock account, on the statement and add again. This corresponds to making a final trial balance.

Third. — Open the new books under the Double-entry system by making a Journal entry of the resources and liabilities, thus: —

Sundries	Sundries

Debit the resources and credit the liabilities, including the Stock accounts.

Fourth. — Close the personal accounts in the Single-entry Ledger by inserting in red ink, in each account, the date of the transfer, the word "Balance" and its amount, and the page in the new Ledger to which it has been transferred.

BUSINESS OF A CAPITALIST — EXERCISES

The capitalist is C. G. Pillsbury of New York city. His books have been kept by Single Entry as indicated by the face of the Ledger shown on pages 74–77. As the capitalist realizes that his Ledger does not show what his estate is worth, he requests his bookkeeper to change the set to Double Entry. Pages 74–79 show the face of the Ledger, Bill Book, Stock Record, Bond Record, and a list of inventories of assets that are not on the Ledger.

Books required: Bill Book, Stock Record, Bond Record, two Check Books, two Deposit Books, Sales (Rent) Book, Journal, Cash Book, Ledger. The Sales Book for this set should be called "Rent" Book, or "Rent Sales" Book. Thus the total sales would be credited to either Rent account or Rent Sales account, whichever the teacher prefers.

Rule separate sheets for the Stock Record, Bond Record, and Bill Book like the specimens on pages 78, 79, after which copy on these sheets and in your books the contents of the capitalist's books as shown on pages 74–79. Then begin to change the books to Double Entry according to the directions given above.

Allow for each account in the Ledger a third of a page.

Representative accounts used: Horses and Carriages, Furniture and Bric-a-brac, Library, Diamonds, Stocks and Bonds, Bills Receivable, La Salle Ave. Apartment Bldg., Madison Ave. Residence, Commonwealth Ave. Apartment Bldg., Bills Payable, Suspense, General Expense, Charity, Interest, Insurance, Discount, Rent, Dividend, Mortgages Receivable, Commonwealth Ave. Residence, Commission, Cash, Loss and Gain.

NOTE TO THE TEACHER. — Since the student will use the same Ledger after the books have been changed to Double Entry, the old accounts in the Ledger should be ruled and their balances inserted in red ink but not brought down, because the balances will be posted from the Journal entry which is made for the transfer. Consequently, the old accounts must be balanced and ruled before posting the Journal entry.

Ledger

SECOND NATIONAL BANK 1

1900						1900		*New York*			
Oct.	1	Balance,		9500	00	Oct.	31	Checks for October,	77	15760	00
"	31	Deposits for October,	77	25000	00	Nov.	30	" " November,	80	20950	00
Nov.	30	" " November,	80	27850	00	Dec.	31	" " December,	82	25000	00
Dec.	31	" " December,	82	30050	00					61710	00
				92400	00						

2 FIRST NATIONAL BANK

1900						1900		*Chicago*			
Oct.	1	Balance,		10000	00	Oct.	31	Checks for October,	77	5700	00
"	31	Deposits for October,	77	9050	00	Nov.	30	" " November,	80	10800	00
Nov.	30	" " November,	80	6750	00	Dec.	31	" " December,	82	7800	00
Dec.	31	" " December,	82	12000	00					24300	00
				37800	00						

M. D. TUTTLE 3

1900								*New York*			
Oct.	1	Balance,		750	00						

4 RYDER & WHEELER

1900											
Oct.	1	Balance,		2965	00						

Ledger — *Continued*

C. D. BARON 5

Philadelphia

1900						1900					
Oct.	1	Balance,		250	00						

6 C. C. PURDY

New York

1900						1900					
Oct.	1	Rent,	75	500	00	Nov.	15	Cash,	79	300	00
Nov.	1	"	78	500	00	Dec.	15	"	81	600	00
Dec.	1	"	81	500	00					900	00
				1500	00						

M. G. WILLIAMS 7

New York

1900						1900					
Nov.	1	Interest,	77	265	00	Dec.	30	Cash,	82	265	00
Dec.	15	Loan,	81	1500	00						
				1765	00						

8 D. D. HEYWOOD

Boston

1900						1900					
Oct.	31	Balance,		200	00	Dec.	15	Cash,	81	650	00
Nov.	1	Rent,	78	400	00						
Dec.	1	"	81	400	00						
				1000	00						

W. W. ALLEN 9

Cincinnati

1900						1900					
Nov.	5	Loan,	79	5000	00	Dec.	24	Cash,	82	7000	00
Dec.	10	"	81	2500	00						
"	31	Interest,	82	450	00						
				7950	00						

Ledger — *Continued*

10 J. R. CLARK

1900						1900					
					New York						
Oct.	1	Balance,			300 00						

C. M. COLLINS 11

1900					1900					
					Boston					
Oct.	31	Balance,		800 00	Nov.	15	Cash,	79	650 00	
Nov.	1	Rent,	78	125 00						
Dec.	1	"	81	125 00						
				1050 00						

12 H. O. STORM & CO., Rent Agents

1900					1900					
					Chicago					
Oct.	31	Rents collected,	77	300 00	Oct.	31	Commission,	77	30 00	
Nov.	30	" "	80	500 00	Nov.	15	Cash,	79	200 00	
Dec.	31	" "	82	500 00	"	30	Commission,	80	50 00	
				1300 00	Dec.	15	Cash,	81	650 00	
					"	31	Commission,	82	50 00	
									980 00	

Estate of M. M. MORGAN 13

1900					1900					
					New York					
Oct.	31	Attorney fees,	77	700 00						
Nov.	30	Repairs on Bldgs.,	80	9050 00						
Dec.	31	Attorney fees,	82	300 00						
				1005 00						

14 ROUND & MASON, Attorneys

1900					1900					
					New York					
Nov.	15	Cash,	79	1000 00	Oct.	31	Bill for services,	77	1600 00	
					Nov.	30	" " "	80	270 00	
					Dec.	31	" " "	82	480 00	
									2350 00	

Ledger — *Continued*

CRAWFORD & HILL, Attorneys 15

1900						1900		*Chicago*			
Nov.	15	Cash,	79	200	00	Nov.	30	Bill for services,	80	400	00
						Dec.	31	" " "	82	690	00
										1090	00

16 INTERIOR DECORATING CO.

1900						1900		*New York*			
Dec.	15	Cash,	81	10000	00	Nov.	30	Bill for November,	80	15500	00
	15	Note,	81	5000	00	Dec.	31	" " December,	82	5900	00
				15000	00					21400	00

Dr. C. C. WALKER 17

1900						1900		*New York*			
Dec.	15	Cash,	81	50	00	Nov.	30	Bill for November,	80	45	00
						Dec.	31	" " December,	82	55	00
										100	00

18 E. R. AUSTIN

1900								*New York*			
Oct.	1	Balance,		250	00						

G. M. CHURCHILL 19

1900						1900		*Chicago*			
Dec.	15	Balance,		45	00	Dec.	29	Cash,	82	45	00

STOCK RECORD

No. of Certificate	Name of Corporation	Shares in each Certificate	Par Value per Share	Purchase Value per Share	Amount	Date of Transfer	Transferred to	How Indorsed	No. of Shares Transferred	Amount Received	Remarks
9768	Standard Oil Co.,	20	100 00	775 00	15500 00						
8575	N. Y. N. H. & H. R.R. Co.,	35	100 00	200 00	7000 00						
9960	First Nat'l Bank, Chicago,	27	100 00	350 00	9450 00						
6957	Diamond Match Co.,	15	100 00	130 00	1950 00						
4650	Chicago City R.R.,	25	100 00	250 00	6250 00						
7553	Pullman Co.,	100	100 00	200 00	20000 00						

BOND RECORD

No.	Date	Name of Corporation	Time	Due	No. of Bonds	Denomination	Amount	Interest Rate	Interest Payable	Remarks
5–35	1891 July 1	Davenport & R. I. Ry. Co.,	20 years	July 1 1911	30	500 00	15000 00	6%	Jan. 1 July 1	
8–28	1899 July 1	Chicago & Milwaukee El. Ry. Co.,	20 "	July 1 1919	20	1000 00	20000 00	5%	" "	

BILLS RECEIVABLE

DATE		Maker or Indorser	In Whose Favor	Where Payable	Time	When Due		Int. Rate	Amount	
1897						1899				
Dec.	31	C. B. Cobbs	C. G. Pillsbury	Chicago Nat'l Bank	2 years	Dec.	31	6%	400	00
1900						1901				
May	5	M. A. Watson & Co.	" "	N. Y. Nat'l Bank	8 mos.	Jan.	5	6%	10000	00
June	8	A. Sweet	" "	" " "	8 "	Feb.	8	6%	4500	00
						1902				
Jan.	2	E. E. Case	" "	Chemical Nat'l Bank	2 years	Jan.	2	6%	9000	00
						1901				
Nov.	10	G. L. Wright	" "	Chicago Nat'l Bank	60 days	Jan.	9	5%	5500	00
"	12	M. J. Cooper	" "	" " "	2 mos.	"	12	6%	5000	00
Dec.	10	Foster West Co.	" "	New York Bank	5 mos.	May	10	6%	5000	00
"	20	Bradner & Co.	" "	" " "	6 mos.	June	20	6%	10000	00
									49400	00

INVENTORIES

Horses and Carriages	$9000.00
Furniture and Bric-a-Brac	20000.00
Stocks and Bonds	95150.00
Diamonds	15000.00
Library	15000.00
Bills Receivable	49400.00
La Salle Ave. Apartment Bldg., Chicago	75000.00
Madison Ave. Residence, New York	75000.00
Commonwealth Ave. Residence, Boston	55000.00
Commonwealth Ave. Apartment Bldg., Boston	150000.00
	$558550.00
C. G. Pillsbury — Present Worth	$612735.00

Capitalist's Instructions to his Bookkeeper

January 1, 1901. — "To-day being the first day of the new year, I have decided to have my books changed from Single Entry to Double Entry, so that in case I should die my executors will have no difficulty in ascertaining the exact value of my estate. This sheet contains a list of the assets that are not on my Ledger [see inventories above]. Let me have a trial balance of the Ledger after you have made the transfer to Double Entry."

January 2. — "Have you finished the trial balance? Let me see it; also the Bill Book. You may charge off these items to Suspense account:" —

M. D. Tuttle to balance account,	$750.00
C. D. Baron " " "	250.00
J. R. Clark " " "	300.00
E. R. Austin " " "	250.00
	$1550.00

NOTE. — Suspense account is usually opened for the purpose of charging off such personal accounts, interest, and bills receivable as are long past due, but are not yet considered as losses. As these items are paid or settled, during the year, the amounts are credited to this account. And, if any of the accounts are still unpaid at the close of the year, their balances are then finally transferred to Loss and Gain account.

When there are many items in Suspense account it is customary to have a Suspense Ledger, which, if desired, may be used as an Auxiliary Book. The total balance of this Ledger must always agree with the balance of the Suspense account in the General Ledger.

"Where is the Cash account? Then balance the two bank accounts and open a Cash account in the Ledger."

NOTE. — On the Debit side of the Cash Book credit the accounts of the banks with their respective balances; use for explanation the words "For balance transferred to Cash account." When the Cash account is kept in the Ledger, post only once a month the total amount of cash received and the total amount of cash paid out.

"As to the Check Books, I wish you would send for new books and begin with the balances as shown by the Ledger, for the old books are in bad shape, as I have not filled out the stubs for a great many of the checks I have drawn.

"Draw checks on the New York Bank, for Dr. C. C. Walker, $50; Round and Mason, $1000; Interior Decorating Co., $1400." (See page 95, and review page 44.)

"The interest on Mr. Case's note is due to-day. Do not forget to charge his account."

January 3. — "To-day, while looking over my private papers, I found several items that I failed to include in the inventory. Here is a list of them:" —

Insurance	unexpired premium	$ 2765.00
Interest	accumulated on notes and bonds to Jan. 1.	2228.52
Bills Receivable	Note of J. D. Lewis, dated Dec. 22, 1900, for 3 mos., interest at 6 %	4500.00
		$ 9493.52

NOTE. — Do not alter any of the old entries, but make only new entries for the above items.

"You may charge off to Suspense account the note of C. B. Cobbs, $400, and interest on same to Jan. 1, $72.07."

January 5. — "This book contains the names of my tenants, also the rate of rent. Charge their accounts with rent on the first day of every month."

TENANTS' RENT BOOK

Chicago, Ill.

La Salle Ave. apartment building: —			
	W. B. Brooks,	rent	$ 125.00 a month
	C. G. Blake,	"	125.00 " "
	G. M. Churchill,	"	85.00 " "
	R. S. Mills,	"	75.00 " "

New York, N.Y.

Madison Ave. residence: —			
	C. C. Purdy,	rent	$ 500.00 a month

Boston, Mass.

Commonwealth Ave. residence: —			
	D. D. Heywood,	rent	$ 400.00 a month
Commonwealth Ave. apartment building: —			
	C. M. Collins,	rent	$ 125.00 a month
	Mrs. G. E. Coe,	"	110.00 " "
	J. J. Loyd,	"	90.00 " "
	M. S. Blake,	"	90.00 " "
	R. R. Allen,	"	85.00 " "
	J. Kent Wood,	"	75.00 " "
	G. B. Townsend,	"	75.00 " "

NOTE. — Copy the foregoing list for reference in making entries in the Rent Sales Book.

"These checks and notes came in this morning's mail:"—

C. C. Purdy,	check to balance acct. to Jan. 1,	$600.00
D. D. Heywood,	" on account	400.00
C. M. Collins,	" " "	500.00
Ryder & Wheeler,	" " "	965.00
J. R. Clark,	" " "	150.00

Ryder & Wheeler's note for $2000 to balance account, dated January 2, 1901, at 3 mos., with interest at 7 % per annum.

M. D. Tuttle's note for $750 to balance account, dated January 3, 1901, at 4 mos., with interest at 6 % per annum.

January 7. — "Draw a check for $5000 on the Chicago Bank to the order of M. D. Tuttle, as a loan on his residence. This is the mortgage, dated January 7, payable in 2 years at 7 % interest. The interest is to be paid annually. I wish the mortgages kept separate from Bills Receivable. Therefore open an account called 'Mortgages Receivable.'

"You may open the mail."

Check from Davenport & R. I. Ry. Co.,	for interest on bonds,	$450
" " Chicago & Milwaukee El. Ry. Co.	" " " "	500
" " M. A. Watson & Co.	to balance note due Jan. 5.	10,400

January 8. — "Do not fail to deposit to-day, in the New York Bank, all the checks you have in the safe. Hereafter, deposit all checks the day they are received.

"This check, $500, is from H. O. Storm & Co., Chicago, to apply on rents collected. From their statement you will see what tenants have paid in January."

Chicago, January 5, 1901.

C. G. PILLSBURY,
NEW YORK,

In Account with H. O. STORM & CO.

Statement of rents collected.

Jan.	2	W. B. Brooks,	January rent,	$125 00
	2	C. G. Blake on a/c,	" "	100 00
	3	G. M. Churchill,	" "	85 00
	3	R. S. Mills on a/c,	" "	50 00
				$360 00
		Less 10 % commission,		36 00
		Balance,		$324 00

NOTE. — Journalize the foregoing statement in the Journal by making two entries. In one, debit H. O. Storm & Co. with $360 and credit the tenants, thus: —

H. O. Storm & Co. Sundries
W. B. Brooks
C. G. Blake, etc.

In the second entry debit Commission and credit H. O. Storm & Co. with $36.

January 9. — "Give me a check to the order of currency, for $200. Charge it to Charity account.

"G. L. Wright of Chicago has written inclosing check for $5045.84 and a new note for $500, dated January 7, at 3 mos., with interest at 7 % per annum, to balance note due to-day.

"Deposit all Chicago checks in the Chicago bank.

"Let me have a check for myself, $275.

"For what is that bank notice? — My note for $5000 in favor of the Interior Decorating Co., dated Dec. 15, 1900, due January 30, 1901. I forgot all about that note. It should have been in the inventory as a liability; however, you may now make proper entry."

January 11. — "Mail a check to the Waldorf-Astoria in payment of my account for December, $625. Charge this to my personal account.

"Draw checks for these bills. Charge the first two to my account and the others to Charity account:" —

Delmonico,	N.Y.,	bill of	Jan. 1,	$125.00
Devore & Son,	Chicago,	"	Dec. 24,	110.00
J. D. Clark & Co.,	N.Y.,	"	Jan. 5,	55.00
Taylor & Mason,	N.Y.,	"	Dec. 23,	115.00
Williams & Son,	N.Y.,	"	Dec. 23,	375.00

"Enter this note of M. G. Williams to balance account, dated Jan. 9, payable in 60 days, $1515. The interest has already been computed at 6% per annum and added to the principal."

January 12. — "What is the balance in the New York bank?" ($40,435.)

"Deposit these checks in the New York bank. They are for dividends on shares of stock:" —

Standard Oil Co.,	check for	$3100.00
N.Y. N.H. & H. R.R. Co.,	"	150.00
Diamond Match Co.,	"	117.00

January 15. — "I wish to discount for L. L. Wells & Co. this note, dated Jan. 2, payable in 90 days, signed by M. D. Stoddard, Chicago, $3750. Charge them 8% discount for 77 days. Draw a check on the New York bank for the proceeds, and let me have it immediately."

January 18. — "Write out a check on the Chicago bank for $5000, to the order of Ryder & Wheeler, as a loan. This mortgage is from Ryder & Wheeler to cover the loan made on their factory, $5000, dated Jan. 18, payable in 5 years at 5% interest. The interest is payable annually."

January 19. — "H. O. Storm & Co. write that they have rented Apartment 'C' to M. C. Burry for $110 a month. The rent began on January 15."

January 22. — "Ennis & Larmar have sold 15 shares of Diamond Match Co.'s stock at $140 a share. This is their check, $2097.82, for the proceeds as shown by their statement of sale:" —

ENNIS & LARMAR
Stock Brokers.

New York, January 22, 1901.

STATEMENT OF SALE

of 15 shares — Diamond Match Co.
For C. G. Pillsbury, New York.
Received January 17.

1901		SOLD				
Jan.	21	15 Shares @ $140			2100	00
		Charges,				
		Commission, 12½¢ share	1	88		
		Revenue Stamps, 2¢ "		30	2	18
		Net Proceeds			2097	82

January 25. — "Enter this check of the Royal Insurance Co. for insurance on my horses and carriages which were destroyed at the livery stables on January 5, $7500."

NOTE. — Credit Insurance account. Then, by a second entry, transfer the amount from Insurance account to Horses and Carriages account, to show that the loss has been partly repaid.

January 29. — "Let me have a check for myself, $400.

"These checks came in the mail this morning:" —

Mrs. G. E. Coe,	check for January rent,	$110.00
R. R. Allen,	" " " "	85.00
M. S. Blake,	" " " "	90.00
J. Kent Wood,	" " " "	50.00
G. B. Townsend,	" " " "	75.00

January 31. — "Bond & Burry, N.Y., sold my Boston residence for $70,000, charging 5% commission. This is their check for the proceeds, $66,500.

"Write out a check for the salaries: — Stenographer, $75 a month; yourself, $150.

"Did you draw a check, to the order of the bank, for my note due yesterday? You forgot? Well, no doubt the bank has paid the note and charged the amount to my account. You will find the 'charge' ticket for this among the returned checks. Now, while you think of it, you had better immediately fill out a stub for the amount, instead of waiting until the Debit ticket comes in with the returned checks."

NOTE. — Make entries for the invoices received. Take off trial balance. Render a monthly statement of the trial balance.

Invoices received during the Month

CHICAGO, January 17, 1901.

C. G. PILLSBURY, New York.

To H. O. Storm & Co., DR.

For repairs in La Salle Ave. Apartment Bldg.,
as per bills attached, $965.00

BOSTON, MASS., January 12, 1901.

C. G. PILLSBURY, New York.

To N. B. Cook & Co.

For interior decorating in Commonwealth Ave. Apartment Bldg.,
as per contract, $1800.00

NEW YORK, January 31, 1901.

C. G. PILLSBURY, New York.

In account with

Delmonico.

For Restaurant checks for the month of January, $155.50

NEW YORK, January 31, 1901.

C. G. PILLSBURY, New York.

In account with

The Waldorf-Astoria.

For Room rent for January,	$300.00
Restaurant checks,	275.00
Livery and extras,	135.50
	710.50

NEW YORK, January 31, 1901.

C. G. PILLSBURY, New York.

To Round & Mason, Attorneys, DR.

For professional services examining contract of Moun & Wells,	$50.00
Suit of L. D. Mills against Estate of M. M. Morgan,	135.00
	185.00

Executor's Instructions to the Bookkeeper

February 4.—"Your employer, Mr. C. G. Pillsbury, died in an accident on January 31. I, as his executor, desire a statement of his assets and liabilities at close of business January 31, 1901." The inventories are as follows: —

Interest, accumulated on Notes, Bonds, and Mortgages	$ 631.96
Furniture and Bric-a-brac	20000.00
Library	15000.00
Diamonds	12750.00
Stocks and Bonds	93200.00
La Salle Ave. Apartment Bldg.	75000.00
Madison Ave. Residence	75000.00
Commonwealth Ave. Apartment Bldg.	150000.00
Insurance Unexpired Premium	2250.00

NOTE. — Transfer the balance of C. G. Pillsbury's personal account, by Journal entry, to his Stock account.

Deposit Book

C. G. PILLSBURY
in account with
Second National Bank.

1901			NEW YORK.	
Jan.	1	Balance,	30690	00
"	8	Deposit,	13965	00
"	12	"	3367	00
"	22	"	2097	82
"	25	"	7500	00
"	31	"	66910	00
			124529	82
"	31	Vouchers returned,	9845	00
Feb.	1	Balance,	114684	82

Voucher Slip[1]

Feb. 1, 1901.

	50	00
1	000	00
	200	00
	625	00
	125	00
	275	00
1	400	00
	115	00
3	790	00
	375	00
	55	00
	400	00
	225	00
5	000	00
9	845	00

Check this list back to see that vouchers are properly listed.

Second National Bank

Charge, *New York, January 30, 1901.*

C. G. Pillsbury	
Note, Interior Decorating Co.	*5000 00*

[1] Banks having counting machines send a voucher slip when returning the checks which have been cashed.

January 31. — Check # 11, $ 3685.83, is still out.

PART III. BUSINESS FORMS

SECTION I. THE FORMS — THEIR USE

112. Among the forms used in business are : —

Bill,	Bond,
Invoice,	Stock Certificate,
Debit Memorandum,	Express C.O.D. Envelope,
Credit Memorandum,	Freight Bill,
Draft,	Freight Receipt,
Bill of Exchange,	Bill of Lading,
Note,	Notice of Overdraft,
Check,	Notice of Note or Draft,
Certificate of Deposit,	Protest for Non-payment,
Money Order,	Notice of Protest,
Receipt,	Power of Attorney,
Voucher,	Letter of Credit,
Statement,	Bill of Sale,
Account Sales,	Assignment.

Bills and Invoices

113. A Bill is a written account of services rendered, or charges made, prefaced with the ls "_____ To (the firm) Dr."

Bill

Chicago, December 27, 1901.

M. D. Kimball & Co.,

No. 260 Dearborn Street,

To REND & PIERCE, Dr.

ATTORNEYS AT LAW.

		For professional services rendered in suit against White & Brown	50	00	
		Court Costs	10	00	
		Stenographer	5	00	
					65 00

114. An Invoice is a written account of merchandise sold, prefaced with the words "_____ Bought of _(the firm)_ " or " _(the firm)_ Sold to _____."

115. Invoices and bills are rendered daily from the Sales Book (or a similar book) to the customers, and are supposed to be exact copies of what appear in the Sales Book.

The bills and invoices received during the month are not journalized until the last day of the month (unless they are discounted), when they are credited to the accounts of the proper persons and companies by Journal entries, having for explanation the word "Invoice," with the date and amount. In large houses a Credit Journal is used so that the invoices are journalized daily.

Each bill and invoice should be O.K.'d as to the price, the extension, etc., before being journalized, and the name of the account to which the amount is to be charged (debited) should be marked on it.

NOTE. — A rubber stamp is generally used for marking on the bills and invoices a blank form containing lines for the date when the goods were received, the signatures of the persons who O. K. the price and the extension, the name of the account to be charged, and the page of the Journal containing the entry.

Many houses prefer to paste the bills and invoices in the Invoice Book, and post direct from there, instead of making Journal entries, but this practice is not advisable.

Invoice

Chicago, January 14, 1901.

John D. Hyde & Co.,

Terms 30 days St. Louis, Mo.

Bought of H. B. CLAY & CO.

100	boxes Cream Cheese, 5000 lb. @ 16¢	800	00		
3	bbls. U. C. Sugar, 990 lb. @ 5¢	49	50		
				849	50

EXERCISE 23

Mail invoices to the following customers, whose goods have been shipped: —

January 2

C. B. Frost & Co.,
Order #787 Springfield, Ill.

10 bbls. Pillsbury Flour	@	$4.00
3 bbls. Granulated Sugar, 975 lb.	@	.05

A. B. Rider & Son,
Order #3875 Rock Island, Ill.

5 bbls. Pillsbury Flour	@	$4.00
1 hhd. Molasses, 100 gal.	@	.50
25 pails Extra Large Mackerel	@	2.50

G. M. Williams & Co.,
Order #75 St. Louis, Mo.
3 casks Turkish Prunes, 4500 lb. @ $ .09
Less 10%

January 3

G. M. Williams & Co.,
Order #87 St. Louis, Mo.
200 bbls. Flour @ $5.50
Shipped to C. K. Smith,
Kansas City, Mo.

January 21

Carter & Brown,
Order #9658 Springfield, Ill.
3 bbls. Currants, each 250 lb. @ $ .23
Less 15%

C. B. Frost & Co.,
Order #799 Springfield, Ill.
5 bbls. Parkesburg Flour @ $4.00

February 1

G. M. Williams & Co.,
Order #100 St. Louis, Mo.
2 chests Oolong Tea, each 40 lb. @ $ .47
20 bbls. Apples @ 5.00
Shipped to Benjamin Ellis,
Springfield, Mo.

DEBIT AND CREDIT MEMORANDA

116. A Debit Memorandum is a special form of bill, naming a charge to be made. It usually requires a Journal entry.

When a debit memorandum is rendered, the amount is debited in the account of the firm mentioned therein.

Debit Memorandum

H. B. CLAY & CO.

Debit Memorandum. *Chicago, February 13, 1901.*

Name, A. B. Rider & Son.

Interest on $700 for 30 days at 7%				4 08

117. A Credit Memorandum is in form like a debit memorandum, but has the words "Credit Memorandum" marked or printed on it, generally in red ink. It is usually sent to a debtor, informing him that his account has been credited with the amount mentioned.

A credit memorandum is rendered when allowing credit for an overcharge, shortage, error in invoice, returned merchandise, etc.

Credit Memorandum

H. B. CLAY & CO.

Credit Memorandum. *Chicago, January 10, 1901.*

Name, W. A. Crocker & Co.

5 chests Oolong Tea, returned as defective, 200 lb.	*@ 47¢*		*94 00*

EXERCISE 24

Mail credit memoranda to the following firms: —

February 13

G. M. Williams & Co., St. Louis, Mo.,
5 bbls. flour returned as defective @ $5.50

C. B. Frost & Co., Springfield, Ill.,
975 lb. granulated sugar @ .01
Overcharge on invoice January 2.

Carter & Brown, Springfield, Ill.,
150 lb. currants @ .23
Shortage on invoice January 3.

Drafts and Bills of Exchange

118. A Draft is an order on a person or persons to pay to a third party a certain sum of money.

119. A draft contains the names of three persons: —

1. The Payee is the person who is to receive payment.
2. The Drawee is the person who is ordered to make payment.
3. The Drawer is the person who issues the order.

In the illustration at the top of the next page, Students' National Bank is the payee, A. M. Scott the drawee, and E. H. Earl & Co. the drawer.

120. There are in general use three kinds of drafts, — Sight, Time, and Bank drafts.

121. A Sight Draft is used in making collections and is payable upon presentation.

If the drawee dishonors a sight draft, that is, refuses to pay it, he states his reason to the payee or his agent, who writes it on the back of the draft. The draft is returned to the drawer.

In certain lines of business sight drafts are drawn every month on country customers whose accounts are past due. They are usually notified in advance, by letter or statement.

Sight Draft

$25 75/100 Chicago, January 9, 1901.

At sight Pay to the Order of Students' National Bank

Twenty-five 75/100 ~~~~~~~~~~~~~~~~ Dollars

Value received and charge to account of

To A. M. Scott
No. Wheaton, Ill.

E. H. Earl & Co.

122. A Time Draft is one payable a number of days after sight, or after date. It is of no value until accepted by the drawee, who writes across the face "Accepted," the date on which it is accepted, where payable, and his own (drawee's) name. Thus the draft becomes a Bill Receivable in the accounts of the payee, and a Bill Payable in the accounts of the drawee, and is recorded and entered the same as a note.

If the drawee dishonors a time draft by refusing to accept it, the procedure is the same as with a dishonored sight draft.

Time drafts, like sight drafts, are used in making collections.

123. The Day of Maturity of time drafts is computed as follows: —

1. On an After Date time draft, from the date of the draft.
2. On an After Sight time draft, from the date it was accepted.

"After Date" Time Draft

$75.00 NEW YORK, February 1, 1901.

Thirty days after date, pay to the order of Brown, Jackson & Co.

Seventy-five ~~~~~~~~~~~~~~~~ no/100 Dollars.

Value received and charge to account of

M. D. Martin,
No. 5 Chicago, Ill.

H. W. WEST & Co.

"After Sight" Time Draft

$150.00 BOSTON, January 3, 1901.

At five days' sight pay to the order of Students' National Bank

One hundred and fifty ~~~~~~~~~~~~~~~~ no/100 Dollars.

Value received and charge to account of

To D. C. Perry & Co.,
No. 25 Chicago, Ill.

H. W. WEST & Co.

124. A sight draft or either kind of a time draft may be drawn in favor of the drawer. In this case only two names appear on the draft instead of three; for the name of the payee is replaced by "myself" or "ourselves," or is the same as the name of the drawer.

Draft payable to Drawer

$150.00 BOSTON, January 3, 1901.

At five days' sight pay to the order of Ourselves

One hundred and fifty ~~~~~ $\frac{no}{100}$ Dollars.

Value received and charge to account of

To D. C. Perry & Co.,
No. 50. Chicago, Ill.

H. W. WEST & Co.

NOTE. — When a draft is drawn to the order of "myself," or "ourselves," it must be indorsed in blank or in full (page 108) by the drawer before it can be collected by a third party. It is usual to place all drafts in the hands of a bank for collection.

NOTE. — When a draft is paid or returned, it should be checked off on the Draft Book by writing across the stub the word "paid" or "returned," as the case may be, together with the date. A returned draft is usually filed for reference.

EXERCISE 25

Draw the drafts and make Journal entries, on Journal paper, for the following transactions and mention the books which should receive the entries. The date should be written in full — month, day, and year.

1. John G. Clark, of St. Louis, owes C. M. Rogers & Co., of Chicago, a balance of $175.

Draw a sight draft for the amount to the order of the St. Louis Students' Bank.

What should be the entries on the books of C. M. Rogers & Co. if the draft is paid and a check received for the proceeds, $174.25?

What should be done in case the draft is returned with a note on the back, thus: "Will write," etc.?

2. Bought of M. B. Stewart & Co., New York, on account, bill of goods at $95.

Make the draft which M. B. Stewart & Co. might draw for this amount; make it a time draft payable ten days after date, to the order of M. G. White & Co. Accept the draft.

What should be the entry on your books? What entry should you make when you pay the draft? What entry was made on the books of M. G. White & Co. when you accepted the draft?

3. A. C. McKay, of Chicago, stays at the Fifth Avenue Hotel while in New York city. His bill is $75. Instead of paying it by check, he asks the manager to draw a draft on him for the amount at five days' sight, agreeing to accept it at once.

Draw the draft to the order of the New York National Bank. Accept the draft for the drawee.

What should be the entry on the books of the hotel?

EXERCISE 26

Draw drafts on the following firms, dated to-day: —

A sight draft for $200 on G. M. Williams, St. Louis, Mo., to the order of the St. Louis National Bank.

A five days' sight draft for $58.75 on C. B. Frost & Co., Springfield, Ill., to the order of the Chicago National Bank. Accept the draft for C. B. Frost & Co.

A time draft for $100 on Carter & Brown, Springfield, Ill., to the order of the udents' National Bank, payable 30 days after date.

A one day's sight draft for $65 on A. B. Rider & Son, Rock Island, Ill., to the order W. A. Brown.

125. A Bank Draft is an order made by one bank on another, requesting the payment a sum of money to the person whose name is mentioned, or to his order. These drafts e used in making remittances and are treated as cash.

A bank draft may be purchased at any bank for a small charge, according to current te, called exchange.

Bank Draft

Chicago National Bank *No. 9675.*
OF CHICAGO

Chicago, April 26, 1901.

Pay to the Order of

Louis Hooker & Co. ~~~~~ $50.00

Fifty ~~~~~ $\frac{no}{100}$ *Dollars*

To First National Bank, New York.

F. M. Blount, *Cashier.*

126. Bill of Exchange is another name for draft. Bills of exchange are of two kinds: —

1. A foreign bill of exchange is a draft, used mostly by banks, drawn on a bank in a eign country. It is usually drawn in triplicate, numbered 1, 2, and 3. This is done in ler that if one or two are lost another may be substituted. As soon as one is paid e others become worthless.

2. An inland bill of exchange is a draft drawn on a bank in the same country as the awer.

Foreign Bill of Exchange

xchange for *No.* 966

£ 500. *Chicago,* April 25, 1901.

Thirty-five *days after Sight of this First of*

Exchange (Second of same tenor and date unpaid) pay to the order of

N. B. Graham & Co.

Five hundred pounds sterling.

Value received which place to account of

'o Lord & Bates.

London. C. H. Harris & Co.

NOTES

127. A Note, or "promissory note," is a written promise to pay. It is usually a promise to pay a certain sum of money to a specified person, or to his order.

A note usually contains the names of two parties:

1. The Payee is the person to whom the note is made payable. The payee must be named in the note, unless it is payable to bearer.

2. The Maker is the one who signs it and promises to pay. In the illustration given A. Hummer & Co. are the makers.

Note

$926.31 Chicago, January 3, 1901.

Sixty days after date we promise to pay to the Order of John Littlejohn & Co.

Nine hundred twenty-six and 31/100 Dollars at the Students' National Bank.

Value received with interest at 6% per annum.

A. Hummer & Co.

128. The Face of a Note is the amount named which the maker promises to pay. In the above illustration $926.31 is the face of the note.

129. Days of Grace are a period of three days which in some states is added to the time specified in a note. In these states a note is due three days after the specified time; but in those states which have abolished days of grace a note is due at the time stated in the note.

130. A Demand Note is due and payable on presentation, without days of grace.

Demand Note

$350.00 CHICAGO, March 14, 1901.

On demand, after date, we promise to pay to the order of ~~~~~

George Curtis White ~~~~~

Three hundred and fifty ~~~~~ no/100 Dollars,

at the Students' National Bank.

Value received.

A. HUMMER & CO.

(For indorsement of notes see page 108.)

131. A Judgment Note bears upon its face a power of attorney authorizing the payee, or some other person named, to confess judgment in a court of record for the face of the note, plus interest, and for a certain sum for attorney's fees, in case of non-payment.

Judgment Note

$30.00 ROCHESTER, N.Y., April 1, 1901.

Ninety days after date, for value received, I promise to pay to the order of J. Benjamin Newell

Thirty ~~~~ $\frac{no}{100}$ Dollars,

at Students' National Bank ~~~~ with interest at 6 per cent per annum after June 30 until paid.

And to secure the payment of said amount *I* hereby authorize irrevocably, any attorney of any Court of Record to appear for *me* in such Court, in term time or vacation, at any time hereafter, and confess judgment without process in favor of the holder of this Note for such amount as may appear to be unpaid thereon, together with costs, and ~~ dollars attorney's fees, and to waive and release all errors which may intervene in any such proceedings, and consent to immediate execution upon such judgment, hereby ratifying and confirming all that *my* said attorney may do by virtue hereof.

No. 2 WM. WHITE.

132. A Joint Note is one signed by two or more persons, who need not necessarily be partners. If the note is made joint *and several*, each and every signer is responsible to the payee for the payment of the entire amount in case of default by the makers.

Joint and Several Note

$500.00 SAN FRANCISCO, June 15, 1901.

Two months after date, we severally and jointly promise to pay to the order of Burton M. Flower

Five hundred ~~~~ $\frac{no}{100}$ Dollars,

at the San Francisco Bank.

Value received.

D. R. YORK.
GEORGE M. WHITE.

133. Gold Notes (Promissory) are made payable in United States gold coin or its equivalent. There have been times in the history of the country when it was advisable to make long time notes payable in gold to prevent their value being affected by possible fluctuation in the value of paper or silver money before maturity.

134. A Negotiable Note specifies on its face that the money will be paid to *the order of* a certain person, or to a certain person *or order*.

135. A Non-negotiable Note omits the "or order" or "the order of," and the note is of no value to any one except the person to whom it is made payable. Non-negotiable notes are seldom used and should be avoided.

136. An Accommodation Note is one given without any valuable consideration, the maker lending his name and credit to the payee.

The maker of an accommodation note is under no obligation to the payee, but is under obligation to any third party holding the note, just as if the note were given for a consideration.

137. A Collateral Note gives its holder power to sell the securities which are mentioned therein, if the note is not paid at maturity.

Collateral Note

$5000.00 NEW YORK, January 5, 1901.

Thirty days after date I promise to pay to the order of

John Blennerhasset

Five thousand $\frac{\text{no}}{100}$ Dollars,

for value received, with interest at the rate of 6% per annum, having deposited with him, as collateral security, Students' National Bank Stock of the nominal value of Ten Thousand Dollars (with authority to sell the same at the Brokers' Board, or at public or private sale, or otherwise, at his option, on the non-performance of this promise, and without notice).

A. M. HYDE.

138. Collateral Security is anything deposited with the holder of a note as a guarantee of payment. If bonds, notes, stock certificates, etc., are offered, they must be indorsed in blank so that the holder can dispose of them if necessary.

EXERCISE 27

Draw the notes and make Journal entries, on Journal paper, for the following transactions, and mention the books which should receive the entries: —

1. C. H. Harris & Co. gave to A. M. Lord & Co. their demand note for $85.50, dated February 5, 1901, to balance account.

Draw the note. What should be the entries on the books of C. H. Harris & Co., and also of A. M. Lord & Co.?

2. C. M. Nichols & Co. borrowed of their bank (Students' National Bank) $500 for 30 days. The bank demanded a judgment note, which it discounted by entering on the Deposit Book the proceeds of the note, $497.50.

Draw the note. What should be the entries on the books of C. M. Nichols & Co.?

3. Mrs. A. Winter borrowed $75 of C. H. Reel & Co. on a joint note, at 60 days, bearing interest at 3% per month, signed by C. G. Winter and herself.

Draw the note. What should be the entry on the books of C. H. Reel & Co.?

4. H. B. Clay & Co. received of A. B. Rider & Son their note (negotiable) for $400, at 30 days, to balance account.

Draw the note. What should be the entries on the books of H. B. Clay & Co. and of A. B. Rider & Son?

5. Mrs. George Lord accepted of E. B. Warren his non-negotiable note for $50, payable in three months, to balance his board to date.

Draw the note. What should be the entry on the books of Mrs. George Lord?

6. H. B. Cooper & Co. borrowed of the Chicago Real Estate Co. $900 for 30 days, with interest at 6% per annum, giving as collateral security ten shares of City Railroad Stock, valued at $1000.

Draw the note. What should be the entry on the books of H. B. Cooper & Co.?

CHECKS AND CERTIFICATES OF DEPOSIT

139. A Check is an order on a bank to pay a certain sum to a person or company named thereon, called the payee. It is signed by the maker, whose signature is on record at the bank.

Checks must be numbered consecutively, and each stub should bear the same number as its check. It is usual to write the stub first.

Check

Chicago, March 29, 1901. No. 375

Students' National Bank

of Chicago

Pay to the Order of Jackson, Clark & Co. $250.00

Two hundred and fifty no/100 Dollars.

Bartlett, Graham & Co.

EXERCISE 28

Make out checks, dated to-day, for the following firms: —

G. A Wait & Co., . . .	$ 25.00	W. T. Smith & Co., . . .	$ 123.50
C. M. Drake & Co., . . .	68.75	W. B. Sanborn, ...	100.00

140. A Certified Check is a check which has been accepted by the bank on which it is drawn. The Paying Cashier accepts for the bank by stamping the words "Accepted, payable through the —— Clearing House" on the face of the check, and adding the date, the name of the bank, and his signature. Sometimes such checks are certified by the Cashier of the bank merely writing the word "Accepted," the name of the bank, and his signature.

141. When a certified check is not used do not destroy it, but indorse the check, the same as any other (page 108), and deposit in the bank. When a certified check is lost or destroyed, the bank on which it is drawn compels the maker to give bond for double the amount, in order that it may be protected in case the check should ever be presented for payment.

142. A Certificate of Deposit is issued to a depositor by a bank, certifying to the deposit of the amount mentioned. It is generally issued to a small depositor, or to one who does not wish the credit to show in an open account.

Certificate of Deposit

CERTIFICATE OF DEPOSIT.

No. 273 **Students' National Bank.**

Chicago, January 14, 1902.

This is to Certify that C. M. Madison

has deposited in this Bank

Fifteen hundred no/100 *Dollars,*

Payable to the Order of Clara Brown

on return of this Certificate, properly indorsed.

$1500. C. B. Brown,

Cashier.

Money Orders

143. A Money Order is an order (somewhat like a bank draft) for the payment of a specified sum of money to a person named therein or to his order. These orders may be purchased for their face value, plus a slight fee, at any important post office, or at the offices of standard express companies.

144. Post Office money orders are either Domestic or International. The former are payable at post offices in the United States; the latter at certain specified offices abroad.

145. Express money orders, such as the American, Wells Fargo, United States, etc., are payable at all branch offices or agencies of the companies at home and abroad.

Receipts and Vouchers

146. A Receipt is generally an acknowledgment of a remittance or payment which may have been made in cash, or by note. Receipts are also given for other purposes, such as for merchandise delivered, etc.

147. Acknowledgments of payments are sometimes made by letter, by receipt forms, or by writing on the statement, note, or invoice the word "Paid," signing the firm's name, per _____, giving the date on which it is paid.

148. When an account is settled by note, receipt the statement thus: "Settled by _____ day note _____ per _____."

Receipt. — To Apply on Account

$20.00 Chicago, August 3, 1901.

Received of J. White & Co.,

Twenty no/100 Dollars,

to apply on account.

C. A. Mood.

Receipt. — In Full of all Demand

$35.75 Boston, January 28, 1901.

Received of Fuller & White

Thirty-five 75/100 Dollars,

in full of all demand to date.

John G. Brown.

Receipt. — In Full for Invoice

$50.00 New York, May 6, 1901.

Received of Reid, Smith & Son

Fifty no/100 Dollars,

in full for invoice January 28.

Baldwin & Murray.

Receipt. — In Full of Account

$400.00 ST. LOUIS, September 7, 1901.

Received of A. B. Rider & Son

Four hundred $\frac{no}{100}$ Dollars,

in full of account to date.

H. B. FERRY & CO.

EXERCISE 29

Mail receipts for remittances received from the following firms: —

	February 6	
C. B. Frost & Co.,	On account	$50.00
G. M. Williams & Co.	On account	675.10
A. B. Rider & Son	To balance account	132.62
Carter & Brown	On account	46.62

149. A Voucher is usually in the form of a statement with a receipt attached. It is used as a receipt. Vouchers are numbered consecutively and filed for reference.

Voucher

No. 201 *Chicago, July 5, 1901.*

C. G. WHITE FURNITURE CO. *Name Stewart & Co.,*

Voucher. *Address New York.*

1901

July	*5*	*On account*			*3000 00*

Account examined and found correct, *Approved for payment,*

W. H. P. *C. G. W.*

Received July 5, 1901. 3000\frac{00}{100}$

From the C. G. WHITE FURNITURE CO.

Three thousand $\frac{no}{100}$ *Dollars.*

In settlement for the above account.

Stewart & Co.

150. Corporations use vouchers to account and receipt all money disbursed.

Some large corporations have their vouchers so arranged and printed that they take the place of their checks as well as receipts. When such combined checks and vouchers are received they should be entered as Cash, and then signed and deposited.

Statements and Account Sales

151. A Statement is a copy of an account, with the dates and amounts, as it appears on the Ledger.

It is not necessary every time a statement is made to show each month's dates and amounts, but begin by writing the date of the last statement and inserting the word "Balance" with the amount, and then proceed with the current month's business.

For the form of a statement see pages 59, 60.

EXERCISE 30

Mail statements to the following customers, according to the Ledger on March 1, 1902, assuming that statements had previously been sent on February 1:

D. M. ROBINSON & CO., Detroit, Mich.

1902					1902			
Jan.	2	Mdse.	25 00	Jan.	6	Overcharge	7 50
	10	"	125 00		15	Cash	50 00
	13	"	75 00	Feb.	3	"	50 00
Feb.	3	"	35 00		15	"	25 00
	15	"	85 90				
	24	"	75 00				
	28	"	100 00				

RUSSELL & WHITE, New Orleans, La.

1902					1902			
Jan.	6	Mdse.	250 00	Jan.	10	Shortage	12 50
	7	"	100 00		15	Freight	5 00
	10	"	79 50		30	Cash	332 50
Feb.	10	"	75 00	Feb.	20	"	100 00
	15	"	65 70				

BURRY & SWIFT, Boston, Mass.

1902					1902			
Jan.	6	Mdse.	750 00	Feb.	7	Cash	500 00
	15	"	125 00		10	30 day note	250 00
	27	"	135 00		25	Cash	100 00
Feb.	18	"	450 00				

GOODRICH & BEST, Memphis, Tenn.

1902					1902			
Jan.	7	Mdse.	175 00	Jan.	10	Cash	200 00
	10	"	25 00	Feb.	3	"	35 00
	15	"	35 00		25	"	25 00
Feb.	15	"	15 00				
	28	"	55 00				

SHEA, SMITH & Co., New York

1902					1902			
Jan.	7	Mdse.	75 00	Jan.	31	Mdse. Inv. 1/6	50 00
	10	"	35 50	Feb.	5	Cash	55 00
	16	"	95 75		10	"	100 00
Feb.	8	"	27 95				
	28	"	105 00				

BOND, ROYAL & CO., New York

1902					1902			
Jan.	10	Mdse.	85 00	Feb.	7	Cash	50 00
	15	"	76 00		28	Mdse. Inv. 2/3	100 00
	31	"	100 00				

152. An Account Sales is a statement from a commission merchant issued after the sale of a consignment, giving the name of the consignor, the items, and gross amount, the charges incurred in making the sale, the commission, and the net proceeds. Many commission merchants use a specially ruled form, but others use common statement blanks.

153. A Consignment is a shipment of merchandise from a person or persons, to be sold on their account and usually at their risk.

154. The Consignor is the shipper.

155. The Gross Amount (Sales) is the sum realized on the consignment.

156. The Net Proceeds is the result obtained after the commission and the charges have been deducted from the gross amount.

Account Sales

WHOLESALE PRODUCE COMMISSION

Lot No. 3. *Chicago, October 22, 1901.*

Account Sales by A. M. CHASE & CO.

Of 20 barrels Apples

For C. B. Williams,

Received October 18, 1901. *Sheboygan, Wis.*

6	bbls. Apples	@ $4.00	24 00		
8	" Apples	@ 3.00	24 00		
3	" Apples	@ 2.50	7 50		
3	" Apples	@ 2.00	6 00		
				61	50
	Charges,				
	Freight, 6.30. Cartage, 50¢		6 80		
	Commission, 10%		6 15	12	95
	Net Proceeds,			48	55

BONDS AND STOCK CERTIFICATES

157. A Bond is a fractional part of a mortgage, issued by a corporation for a loan made to it.

Bonds are issued in two forms — coupon and registered. A Coupon Bond is one with certificates or coupons attached, representing interest for stated periods (see illustration, page 100). These coupons are detached and presented for payment as they become due. Coupon Bonds are freely transferable. A Registered Bond is one payable only to the owner whose name is registered in the books of the corporation. Interest is usually paid by check to the registered owner. Registered Bonds are transferable only by proper assignment.

158. A Stock Certificate is a certificate of a stock company, certifying to the ownership of the number of shares of its capital stock mentioned therein.

159. A certificate is transferable by filling in the form on the back. To complete the transfer, the certificate should be surrendered to the company mentioned in order that proper transfer may be made in the company's Stock Register, and a new certificate issued to the person to whom the stock is transferred.

Coupon Bond

UNITED STATES OF AMERICA

STATE OF ILLINOIS

THE STUDENTS' OFFICE BUILDING OF CHICAGO.

No. *$1000.*

First Mortgage. *Gold Bond.*

Know all Men by these Presents,

That THE STUDENTS' OFFICE BUILDING OF CHICAGO, a corporation duly organized under the Laws of the State of Illinois, of Chicago, Illinois, is indebted to the bearer in the sum of ONE THOUSAND DOLLARS, in money of the United States of America, which indebtedness it promises to pay in Gold Coin on the first day of March, Anno Domini, Nineteen Hundred and Thirteen, at the office of the Students' National Bank of Chicago, Illinois, with interest thereon at the rate of six per centum per annum, payable in Gold, on the first day of September and March in each year according to the tenor of the annexed coupons and upon presentation and surrender thereof as they severally become due.

This Bond is one of a Series of one hundred and fifty bonds of the same tenor and date, and numbered consecutively from 1 to 150, each for the sum of ONE THOUSAND DOLLARS, amounting in the aggregate to one hundred and fifty thousand dollars, the payment of which is secured by a Deed of Trust dated the first day of March, A.D. 1893, to the Students' National Bank, Trustee, duly executed and delivered by said THE STUDENTS' OFFICE BUILDING OF CHICAGO, conveying to said Students' National Bank, Trustee, the property therein described.

If THE STUDENTS' OFFICE BUILDING OF CHICAGO, or its successors, shall make default in the payment of any one of the interest coupons annexed to this Bond on the day the same becomes due and such default shall continue for sixty days thereafter, then without demand or notice this Bond shall become due and payable, and may at once be enforced as fully as if it had become due by expiration of the time for which it is made as provided in the Deed of Trust mentioned, given to secure it, or otherwise.

This Bond shall not be valid until it shall have been authenticated by the Certificate indorsed hereon by the Students' National Bank, Trustee, and is issued and held subject to the terms and conditions contained in said Trust Deed to which reference is hereby made.

In witness whereof the said Corporation, The Students' Office Building of Chicago, has caused this Bond to be sealed with its corporate seal and signed by its President and Secretary in accordance with a resolution to that effect, passed by the Board of Directors of said Company.

President.

Secretary.

No. 40. *$30.*

On the first day of March, A.D. 1913,

AT THE

STUDENTS' NATIONAL BANK OF CHICAGO.

The Students' Office Building of Chicago will pay the bearer Thirty Dollars, being six months' interest due on that day upon its bond.

President.

No. 39. *$30.*

On the first day of September, A.D. 1912,

AT THE

STUDENTS' NATIONAL BANK OF CHICAGO.

The Students' Office Building of Chicago will pay the bearer Thirty Dollars, being six months' interest due on that day upon its bond.

President.

No. 38. *$30.*

On the first day of March, A.D. 1912,

AT THE

STUDENTS' NATIONAL BANK OF CHICAGO.

The Students' Office Building of Chicago will pay the bearer Thirty Dollars, being six months' interest due on that day upon its bond.

President.

Stock Certificate

INCORPORATED UNDER THE LAWS OF THE STATE OF ILLINOIS.

Number 1

C. M. WELLS FURNITURE CO.

CHICAGO, ILLINOIS.

Shares 225

Capital Stock $50000.00. Shares $100 each.

This certifies that C. G. WHITE is the owner of two hundred and twenty-five shares of One Hundred Dollars each of the Capital Stock of the C. M. WELLS FURNITURE COMPANY, Transferable only on the Books of the Corporation in person or by Attorney on surrender of this Certificate.

In witness whereof the duly authorized officers of this corporation have hereunto subscribed their names and caused the Corporate Seal to be hereto affixed, this first day of June, A.D. 1901.

W. H. PIERCE, *Secretary.* C. M. WELLS, *President.*

Express C.O.D. Envelope

160. An Express C.O.D. Envelope is used when shipping goods C.O.D. by express, and is furnished by the express companies to their patrons. The face of the envelope is filled out by the shipper and the invoice is inclosed. It is then delivered to the express company for the collection of the amount it calls for, when the goods accompanying it are delivered.

Express C.O.D. Envelope

No. 2164

WELLS FARGO & COMPANY'S EXPRESS

Amount of bill $50.00.

And all charges for return of money.

C. O. D.

FROM

C. G. White Furniture Co.,

Chicago, Ill.

Chicago, Ill., June 10, 1901.

On James B. Wood,

Austin, Ill.

Instructions to Agents.

"C.O.D." goods must not be opened or delivered until the Invoice is paid. These are shipper's instructions; no discretion is allowed in the matter.

☞ Return proceeds with this envelope without delay. "C.O.D." packages must not be forwarded beyond original destination unless by special instructions from Agent at shipping office.

If C.O.D. matter is refused or can not be delivered the shipping office must be properly notified, and if not disposed of in 30 days after such notice, it may be returned, subject to charges both ways.

Perishable property, such as Oysters, Fish, Fresh Meats, Fruits, Live Poultry, etc., if refused by consignee, sell immediately to best advantage for account of owner.

Notice to Shippers.

If the money to be collected from the consignee on delivery of the property described herein is not paid within 30 days from date above, the shipper agrees that the company may return said property to him at the expiration of that time subject to the conditions of its receipt for shipment, that he will pay the charges for transportation both ways, and that the Liability of the Company, for such property, while in their possession, for the purpose of making such collection, shall be that of warehousemen only.

Remarks.

Freight Bills and Receipts

161. A Freight Bill is a bill from a railroad or transportation company for charges on goods received at its warehouse. It is made out to the consignee.

Freight Bill

Consignee Hill & Brown Steel Cstg. Co., Converse *Station,* 6/15 1901,

Pro. No. 205

Destination *via*

To The Pittsburg, Cincinnati, Chicago & St. Louis Railway Co., Dr.

For Charges on articles way-billed from Marion *via*

	No. of Pkg.	Articles and Marks	Weight	Rate	Freight	Advances
Date of Way-bill 6/12						
Series and Number of Way-bill 419	2	Pcs. Casting	110		50	
Car Initial and Number						
Consignor						
Connecting Line Reference						
Original Car		*Received Payment*			Total to collect	
Original Way-bill No.		*Freight Agent.*			Drayage	
Original Point of Shipment		19 .				

Original paid Freight Bills should accompany all claims for overcharge, loss, or damage.

162. Freight Receipts are of two kinds; one is a receipt from a transportation company for goods to be shipped (as illustrated below), and the other is a receipt for charges paid on goods either received or shipped.

Freight Receipt

PITTSBURG, CINCINNATI, CHICAGO & ST. LOUIS R.R. CO.

Original. Marion, Ind., 6/12, 1901.

Received from Marion Grey Iron Co.

In apparent good order, the articles named below, to be delivered in like good order, without unnecessary delay.

To Hill & Brown Steel Cstg. Co.

At Converse, Ind.

Marks

As per Conditions of Company's Bill of Lading.

No.	Description of Packages	Weight, Subject to Correction	Rate of Freight per 100 lb.
2	Pcs. Casting	110	25
	A. Moore, Agent.		

163. A Bill of Lading is a written instrument from a railroad or transportation company, acknowledging the receipt of certain goods, which it promises to ship to destination, in good order, under the conditions named in the instrument.

Bill of Lading

PENNSYLVANIA COMPANY

Bill of Lading No. *Alliance, Ohio, Station, June 11, 1901.*

Received from *American Steel Cstgs. Co.*

BY PENNSYLVANIA COMPANY,

The property described below, in apparent good order, except as noted (contents and condition of contents of packages unknown), marked, consigned, and destined as indicated below, which the said company agrees to carry to the said destination, if on the roads operated by it, otherwise to deliver to another carrier on the route to said destination.

IT IS MUTUALLY AGREED, in consideration of the rate of freight hereinafter named, as to each carrier of all or any of said property over all or any portion of said route to destination, and as to each party at any time interested in all or any of said property, that every service to be performed hereunder shall be subject to all the conditions, whether printed or written, herein contained, and which are hereby agreed to by the shipper, and by him accepted for himself and his assigns as just and reasonable.

Upon all the conditions, whether printed or written, herein contained, it is mutually agreed that the rate of freight from *Alliance* to *So. Chicago, Ill.*, is to be, in cents per 100 lb.

If...Times First Class	If First Class	If Second Class	If Third Class	If Fourth Class	If Fifth Class	If Sixth Class	If Special Class	If Special Rate
				16 ¢				

And advanced charges at $

Marks, Consignee, and Destination	Description of Articles	Weight (subject to correction)
Pullman Palace Car Co., c/o A. M. Parent, Pullman, Ill.	1 Knuckle, 1 Pin } 1 Bundle	72

CONDITIONS

L. H. Peet,
Agent.

BANK NOTICES

164. Notice of Overdraft is a form used to notify a depositor that his bank account is overdrawn.

Notice of Overdraft

Students' National Bank

Chicago, January 20, 1902.

Mr. John Stewart,

Your account appears to be overdrawn $55.00.

Please bring in your book to be written up, and deposit the amount of overdraft.

C. B. Brown,
Cashier.

165. Notice of Note, or **Notice of Draft**, is a notice from a bank, informing the person or company whose name is mentioned of a note or draft due at the bank on the date mentioned.

Notice of Note

Students' National Bank

Chicago, January 3, 1902.

L. B. Mason & Co.,

Your Paper for $5000

Matures on January 5.

C. B. Brown,
Cashier.

Checks presented in payment must be certified.

Banking hours, 10 A.M. to 3 P.M.
Saturdays, 9 A.M. to 12 M.

166. Protest for Non-payment is a notice sent to the maker of a note or check, or acceptor of a draft, informing him that his note, check, or acceptance was not paid at the time of bank closing and was protested in consequence.

Protest for Non-payment

State of Illinois
Cook County } *ss.*
City of Chicago

Be it known that on this Eighteenth day of January, in the year of our Lord one thousand nine hundred and two, I, L. A. Jones, a Notary Public, duly commissioned and sworn, and residing in the City of Chicago, in said County and State, at the request of Students' National Bank of Chicago, went with the original note which is above attached, to the office of M. D. Bird & Co. and demanded payment thereon, which was refused.....

Whereupon I, the said Notary, at the request aforesaid, did Protest, and by these Presents do Solemnly Protest, as well against the Maker of said Instrument, the indorsers thereof, as all others whom it may or doth concern, for exchange, re-exchange, and all costs, charges, damages, and interest already incurred by reason of the non-payment of the said instrument.

And I, the said Notary, do hereby certify that within forty-eight hours of the day and year above written, due notice of the foregoing Protest was put in the Post Office of Chicago, Ill., as follows:—

Notice for *M. D. Bird & Co., Chicago.*
Notice for *John Stewart, Chicago.*
Notice for

Each of the above-named places being the reputed place of residence or business of the person to whom this notice was directed.

In Testimony Whereof, I have hereunto set my hand and affixed my official seal, the day and year above written.

L. A. Jones,
Notary Public.

167. Notice of Protest is sent to indorsers of a note or draft, and to the drawer of a draft, informing them that the note or draft has not been paid, and that the bank looks to them for the immediate payment of it.

Notice of Protest

State of Illinois }
County of Cook } *ss.*

Chicago, Ill., January 18, 1902.

Sir: A Note
for $100
Payable Students' National Bank,
Signed by M. D. Bird & Co.
Indorsed by You,

has been this day by me protested for non-payment, and I hereby notify you that the payment thereof has been duly demanded, and that the holders look to you for payment, damages, interest, and cost.

Done at the request of the Students' National Bank of Chicago, Ill.

L. A. Jones,
Notary Public.

To John Stewart

Please forward inclosed notices.

Power of Attorney

168. A Power of Attorney is a written instrument in which the first party named gives to the second party legal authority to act for him as may be specified therein.

Power of Attorney

Know all Men by these Presents that *I*
C. G. Ross of New York City
have made, constituted, and appointed, and by these Presents do make, constitute, and appoint *James W. Ellis of Albany, N. Y., my*
true and lawful Attorney for *me* and in *my* name, place, and stead *for the purpose of negotiating and effecting the sale of C. G. Ross & Co.'s Grocery Store located at No. 4062 Broadway, New York*
giving and granting unto *my* said Attorney full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises, as fully to all intents and purposes, as *I* might or could do if personally present, with full power of substitution and revocation hereby ratifying and confirming all that *my* said Attorney or *his* substitute shall lawfully do or cause to be done by virtue hereof.

In Witness Whereof *we* have hereunto set *our* hand and seal the *third* day of *June*, one thousand *nine* hundred and *one*.

Signed, sealed, and delivered in presence of }

C. G. Ross [SEAL]
James W. Ellis [SEAL]

Letters of Credit

169. A Letter of Credit is a letter, usually from a bank, authorizing a foreign banker to give the holder credit for the amount stated therein.

Letters of Credit are used especially by persons traveling in foreign countries.

Letter of Credit

Circular Letter of Credit

No. 609

The Northern Trust Company

Chicago, Ill., January 6, 1902.

To the Bankers,
Correspondents of the Northern Trust Company named in the annexed list.

Gentlemen: —

We beg to inform you that C. G. Hill the bearer of this letter is authorized to draw on the Bank of Scotland, Lothbury, London, England, for £1000, say one thousand ~~~~~~ pounds sterling, to which extent this Bank engages to honor his drafts drawn at sight.

It is understood that this Credit shall remain in force until March 1, 1902.

All drafts negotiated under this Credit must state on their face the number (No. 609) and date of this letter, and the amount thereof must be indorsed hereon, your charges being deducted from the proceeds.

A specimen of C. G. Hill's signature is appended to the letter of introduction of which he is the bearer.

This letter must be returned with the last draft drawn against it.

Countersigned: *Your obedient servants,*

Byron L. Smith, *President.* *George F. Orde,* *Cashier.*

N. B. — The bearer is advised to keep the Letter of Introduction apart from the Letter of Credit to prevent their being lost or stolen together, also to affix immediately his usual signature at the place indicated in the Letter of Introduction as a precaution against forgery in the event of the Letter of Introduction or Letter of Credit falling into improper hands. The Northern Trust Company will not be responsible for the consequences arising from an omission by bearer to observe these precautions.

No. 609

The Northern Trust Company

Chicago, January 6, 1902.

To the Bankers, Correspondents of the Northern Trust Company.

Gentlemen: —

This serves to introduce to you Mr. C. G. Hill of Chicago, Ill., the bearer of our Circular Letter of Credit No. 609, a specimen of whose signature is at foot hereof.

Yours truly,
George F. Orde.

Signature: C. G. Hill.

N. B. — The bearer is advised to keep the Letter of Introduction apart from the Letter of Credit to prevent their being lost or stolen together, also to affix immediately his usual signature at the place indicated in the Letter of Introduction as a precaution against forgery in the event of the Letter of Introduction or Letter of Credit falling into improper hands. The Northern Trust Company will not be responsible for the consequences arising from an omission by bearer to observe these precautions.

Bills of Sale and Assignments

170. A Bill of Sale is a written instrument in which the party of the first part grants and conveys to the second party, for a consideration of money, all his right, title, etc., to the per-

sonal property mentioned. In many states this instrument, to be valid, must be placed on record with the County Recorder or some other official.

Bill of Sale

KNOW ALL MEN BY THESE PRESENTS, THAT *I, J. G. Merrill* of the *City of Chicago* in the County of *Cook* and State of *Illinois*, party of the first part, for and in consideration of the sum of *two hundred* ~~~~ $\frac{no}{100}$ dollars, lawful money of the United States of America to *me* in hand paid, at or before the ensealing and delivery of these Presents by *S. C. Arnold of the City of Chicago, party* of the second part, the receipt whereof is hereby acknowledged, have granted, bargained, sold, and delivered, and by these Presents do grant, bargain, sell, and deliver unto the said party of the second part, all the following goods, chattels, and property, to wit: *2 desks, 6 chairs, 2 rugs, 1 typewriter, and 1 table now in storage at No. 20 La Salle St., belonging to me and now in my possession at the place last aforesaid*

To have and to hold the said goods, chattels, and property unto the said party of the second part *his* heirs, executors, administrators, and assigns, to and for *his* own proper use and behoof, forever.

And I the said party of the first part do vouch *him* to be the true and lawful owner of the said goods, chattels, and property, and have in full power, good right, and lawful authority, to dispose of the said goods, chattels, and property, in manner as aforesaid: And I do for my heirs, executors, and administrators, covenant and agree to and with the said party of the second part to warrant and defend the said goods, chattels, and property to the said party of the second part *his* executors, administrators, and assigns against the lawful claims and demands of all and every person and persons whomsoever.

IN WITNESS WHEREOF *we* have hereunto set *our* hands and seals, the *fifth* day of *May* in the year one thousand nine hundred and *two*.

Sealed and delivered in the presence of) *J. G. Merrill* [SEAL]
.....) *S. C. Arnold* [SEAL]

171. An Assignment is an instrument by which certain property or rights are transferred to another party for a consideration. There are different forms of assignments. Frequently an assignment is written on the back of another instrument to transfer the property or rights represented by that instrument.

A party may make *a general assignment* of all his property. This is done in case of failure in business, for the purpose of securing to the creditors a fair division of the remaining assets.

SECTION II. NEGOTIABLE PAPER

172. Negotiable Paper consists of notes, drafts, checks, and similar papers of value, which are made payable "to bearer," or "to order," and are therefore salable on delivery or by indorsement. In the latter case the signature of the owner or payee is required on the back of the instrument, and constitutes a brief form of assignment.

Indorsements

173. An Indorsement is a signature, with or without other words, written on the back of a check, note, or draft.

The indorsement should be written across the back of the left-hand end of the paper, the top of the writing being toward the end of the paper.

There are seven forms of indorsement, — In Blank, In Full, Without Recourse, Non-negotiable, For Collection, For Signature, and For Deposit.

174. In Blank. — This is the simple indorsement of the payee's name on the back of a check, note, or draft, making it payable to bearer and transferable by delivery to a third party.

175. In Full. — A note, check, or draft is indorsed in full when the payee makes it payable to the order of some other person or persons by writing on the back of it, "Pay to the order of ——," and signing his name.

176. Without Recourse. — If the words "without recourse" precede the indorser's name, they release him from all responsibility for the payment of the paper. Consequently it is seldom that such an indorsement is accepted.

177. Non-negotiable. — Non-negotiable or restrictive indorsements limit the payment to a particular person. The indorsement is written: "Pay to ——" or "Pay to —— only."

178. For Collection. — These words should appear above the indorser's name on such notes or drafts as are given to a bank for collection.

179. For Signature. — When a check is given to a person who is not known at the bank and who has no facilities for getting it cashed, the payee should indorse the check in blank, and then have the maker indorse below him, after which the bank will cash it without further identification.

180. For Deposit. — When checks are deposited they must be indorsed before they will be accepted by the bank. The indorsement may be as follows: "For deposit to the account of ——." Such an indorsement is no longer accepted by the Chicago and New York Clearing Houses, which now require that all indorsements on checks or other paper for deposit shall be in blank, or, "Pay to —— bank or order," without qualification.

Forms of Indorsement

(In Blank)

J. K. Rose & Co.

(In Full)

Pay to the order of W. G. Goodrich.

J. K. Rose & Co.

Pay to W. G. Goodrich or order.

J. K. Rose & Co.

(Without Recourse)

Pay to the order of W. B. Whitney, without recourse.

J. K. Rose & Co.

(Non-negotiable)

Pay to W. B. Whitney only.

J. K. Rose & Co.

(For Collection)

Pay to the order of Students' Bank, for collection.

J. K. Rose & Co.

(For Signature)

J. K. Rose & Co.

C. M. Wright.

(For Deposit)

Pay to Students' Bank or order.

J. K. Rose & Co.

181. An Indorser of a note is a person who writes his name on the back of a note, or across its face.

182. A Guarantor is one who indorses a note to secure its payment, thus lending his credit to the note. He may do this as an accommodation, or for a consideration, and may demand collateral to secure himself.

183. An Indorsed Note is any note bearing a signature other than the original signature of the maker on the face of the note.

184. If the payee disposes of his note he must indorse it. Then his interest in the note ceases, except that he is still responsible to any subsequent indorsers or holders of the note for its payment. In case of non-payment an indorser who is obliged to pay has a right of action against the maker or any of those who indorsed before him, unless the words "without recourse" precede the signature. Similar rules apply to drafts.

SECTION III. DISPOSITION OF NOTES AND DRAFTS

Collections

185. Notes may be held or carried by the payee until they become due and then be presented for payment. It is better, if a note is carried, to give it to the bank for collection a few days before maturity. Especially is this the case when the maker resides in another city.

186. Drafts. — When the collection of drafts is not made through the firm's bank, then the drafts should be drawn payable to the most reliable banks in the different cities where the customers reside. In the latter case the bookkeeper should write to each cashier and inclose the drafts with a request to collect them and return proceeds.

Discounts

187. Notes and drafts may be discounted or sold. A person who does business with a bank usually expects to dispose of a reasonable amount of his customers' paper there.

188. In discounting paper at a bank the person so doing must indorse it in blank, thus guaranteeing its payment. The bank then gives him credit for the face of the note (or for the face plus the interest if it be an interest-bearing note) less the discount on this amount at the rate agreed upon for the time the note still has to run. Some banks give credit for the face of interest-bearing notes.

189. Notes may be used as collateral. In such cases a receipt should always be taken describing them accurately, and stating for what purpose they were delivered.

Protests

190. A note or time draft must be protested if it is not paid on the day of maturity. If it is not paid by the time the bank closes, it is given to a notary public, who formally demands payment of the maker of the note or acceptor of the draft, and sends him a protest (page 104). Notice of protest is sent to every indorser, and in case of drafts to the drawer as well. It is imperative that notices of protest be sent to drawer and indorsers, for if they are not so notified their responsibility ceases. If the paper has been discounted, or given to a bank for collection, the bank attends to this.

Note. — If the ordinary date of maturity falls on Sunday or a holiday, payment is legally due either the day before or the day following, according to the laws of the state in which the note or draft is made payable.

Renewals

191. It sometimes happens that the maker of a note can not pay it when it becomes due. In order to avoid having his note protested he must arrange for a renewal. This generally results in his giving a new note for the amount, in exchange for the old one.

It sometimes happens that the payee is willing to renew the note, but can not do so, it having passed out of his possession. He may in such a case take the new note of the maker and give him a check for the amount, with which the maker can pay the note when it is presented. A part renewal is accomplished in the same manner.

QUESTIONS FOR DISCUSSION

1. Explain all the steps in the life of a note which is given in payment for merchandise, indorsed to other parties, discounted at a bank, and paid at maturity. 2. Repeat, assuming that the note is protested for nonpayment. 3. What are the possible Journal entries? 4. Trace the steps in the life of a time and of a sight draft, and give possible Journal entries. 5. What papers considered in this part of the book may, under any circumstances, be treated as cash? 6. Discuss different ways of Journalizing sales of merchandise, C.O.D.

PART IV. BUSINESS PRACTICE

General Instructions. — The first four sets of books record the transactions of as many different kinds of business, and are to be made up from the "Manager's Instructions to his Bookkeeper"; the fifth set comprises the work of bank clerks. The student is supposed to be the bookkeeper and to have charge of the books of the different departments.

The various entries made in the different sets will enable the student without difficulty to take charge of almost any set of books; provided, of course, that he uses judgment in reference to the books which are required, and to those accounts which are peculiar to each particular business.

The student should carefully note all the instructions given in the different sets. In many cases they are given more fully than they would be in actual business practice. In some business houses the managers have very little, if any, knowledge of bookkeeping, so that the student must learn to rely on himself.

The student may act as his own Bank Teller, by recording in his Deposit Book the total amount of deposits as mentioned in the exercises, and also the amounts of all notes discounted at the bank.

The total amount of the "cash sales" each day should be entered immediately in the Cash Book, from the exercises.

The "orders received" are to be entered immediately in the Sales Book on the date of receipt, instead of being copied from the Shipping Book (see page 41), as the latter is not introduced in the exercises. The prices are mentioned on the orders to avoid price lists, as the handling of them would be cumbersome for the student; but in actual business the prices might be taken from price lists or determined in some other way.

"Invoices received during the month," in each set, are to be copied on blank invoices and then journalized, with the exception of those that have been paid and charged directly to representative accounts.

The year should be indicated on all papers and in each of the books.

The posting may be done daily or at the end of each lesson assigned by the teacher.

SECTION I. WHOLESALE GROCERY AND PRODUCE BUSINESS

SET I. — EXERCISES

General Instructions. — Books required: Deposit Book, Check Book, Bill Book, Sales Book, Cash Book, Journal, Ledger.

The money columns in the Cash Book may be named as follows: debit side — "Sales" and "Sundries"; credit side — "Expense" and "Sundries."

Representative accounts used: Bills Payable, Bills Receivable, Cash, Expense, Furniture and Fixtures, Horses and Wagons, Insurance, Interest and Discount, Loss and Gain, Merchandise, Mileage, Pay Roll, Postage, Rent, Salary, Sales, Suspense, Traveling Expense, Michigan Central R.R. Shares.

The name of the firm is H. B. Clay & Company. The partners are H. B. Clay, John C. Goodrich, and W. C. Ray. H. B. Clay is to be the manager and to have charge of the financial part of the business, while John C. Goodrich and W. C. Ray are to work up

trade outside. Each partner is to receive a salary of $200 a month, for services. The partners invest equally, and the net profit or loss is to be divided equally.

Manager's Instructions to his Bookkeeper

Chicago, January 3, 19.... — "As shown by the contract, we partners invest as follows: H. B. Clay invests cash, $1500, and merchandise (per inventory), $2000. John C. Goodrich invests cash, $2000, and furniture and fixtures (per inventory), $1500. W. C. Ray invests cash, $2000, and horses and wagons (per inventory), $1500.

"Deposit to-day $5500.

"Write out a check for $25, to the order of currency, for the cash drawer. Take it with you when you go to the bank and have it cashed.

"Give John C. Goodrich a check for $50, and W. C. Ray one for $35.

"Send a check for $300 to C. H. Miller & Co., rent for January.

"Orders received:" —

Order No. 787. SPRINGFIELD, ILL., January 3, 19....
H. B. CLAY & Co., Chicago.

Please ship to us via fast freight: 10 bbls. Pillsbury flour, @ $4; 3 bbls. granulated sugar, 325 lb. each, @ 5¢; and charge to the account of

C. B. FROST & Co.

Order No. 75. CHICAGO, January 3, 19....
H. B. CLAY & Co., Chicago.

Please deliver to our teamster: 25 bbls. Pillsbury flour, @ $4; 10 chests Oolong tea, 40 lb. each, @ 47¢; 5 bbls. apples, @ $4.50; and charge to the account of

W. A. CROCKER & Co.

Order No. 3875. ROCK ISLAND, ILL., January 3, 19....
Messrs. H. B. CLAY & Co., Chicago.

Please ship to us: 5 bbls. Pillsbury flour, @ $4; 1 hhd. molasses, 100 gal., @ 50¢; 25 pails extra large mackerel, @ $2.50; 20 bags Rio coffee, 140 lb. each, @ 26¢; and charge to the account of

A. B. RIDER & SON.

"W. A. Crocker & Co. telephoned for 9 bbls. English currants, 350 lb. each, @ 5¢."

NOTE. — In the above and all similar cases it is assumed that the orders are filled.

"What is the total amount of the cash sales to-day?" (Per cash sales checks, $225.)

January 4. — "Give me a check for $50 and charge it to my account.

"Send a check for $350 to Ducat, Lyon & Co., premium on insurance.

"Give Wm. A. Seymour, our traveling agent, $125 in currency for a mileage book and expenses.

"What is the total amount of the cash sales to-day?" (Per cash sales checks, $150.)

January 5. — "Orders received:" —

Order No. 43. KANSAS CITY, Mo., January 3, 19....
H. B. CLAY & Co., Chicago.

Please ship to us: 1 chest Young Hyson tea, 75 lb., @ 55¢; 30 mats Java coffee, 100 lb. each, @ 32¢; and charge to the account of

W. H. CLARK & Co.

Order No. 47. KANSAS CITY, MO., January 3, 19....

H. B. CLAY & Co., Chicago.

Please ship to us: 25 bbls. St. Louis extra flour, @ $4; 5 bbls. oatmeal, @ $6.25; and charge to the account of

W. H. CLARK & Co.

Order No. 973. CHICAGO, January 4, 19....

H. B. CLAY & Co., City.

Please deliver to us: 5 cases Royal Baking Powder, @ $5.28; 2 casks Turkish prunes, 1500 lb. each, @ 8¢; deduct 15% from price of each, and charge to the account of

MURDOCK BROS. Co.

January 6. — "Give the errand boy 10 cents for car fare.

"Enter these remittances and acknowledge them: A. B. Rider & Son's check for $125; C. B. Frost & Co's. check for $80.

"What is the total amount of the cash sales to-day?" (Per cash sales checks, $75.)

January 7. — "Deposit to-day $480." (Cks. $205, Cy. $275.)

"Pay this bill, 75¢, for cartage on goods delivered to Murdock Bros. Co. The cartage we shall have to allow.

"What is the total amount of the cash sales to-day?" (Per cash sales checks, $135.25.)

January 8. — "Mrs. W. A. Seymour is here and wishes a check for $25, which you may give her and charge to Mr. Seymour's account.

"A. B. Rider & Son want a duplicate invoice of January 3.

"W. H. Clark & Co. complain that we have overcharged them 25¢ per barrel on oatmeal shipped them January 5. Look back on the Sales Book and see what we charged them. You say $6.25? It should have been $6 according to the price list. Make the correction and send them a credit memorandum.

"What is the total amount of the cash sales to-day?" (Per cash sales checks, $95.80.)

"Send out for 200 two-cent stamps."

January 10. — "This letter from W. A. Crocker & Co. states that they have returned 5 chests Oolong tea, 40 lb. each, as defective. Investigate and see if they have been returned. You say they have? Send them a credit memorandum.

"What is the total amount of the cash sales to-day?" (Per cash sales checks, $151.63.)

January 13. — "A. B. Rider & Son mailed us this check for $35.50 and also their note for $700, dated January 13, for 30 days, with interest at the rate of 7% per annum, payable at the Rock Island Bank, to balance their account to date.

"Mail to W. A. Seymour a check for $50 to apply on his salary.

"Order received:" —

Order No. 825. SPRINGFIELD, ILL., January 11, 19....

H. B. CLAY & Co., Chicago.

Please ship via fast freight: 100 boxes Cream cheese, 50 lb. each @ 16¢; and charge to the account of

C. B. FROST & Co.

"Deposit to-day $450." (Cks. $35.50, Cy. $414.50.)

"What is the total amount of the cash sales to-day?" (Per cash sales checks, $103.50.)

"What is the total amount of the sales up to date?" ($4512.37.)

January 20. — "What is the balance in bank?

"Write out a check for $4000 to the order of James H. Johnson, New York, as a loan. Here is his judgment note for same, dated January 25, at 30 days, with interest at 10% per annum, payable at his office.

"Did you give W. A. Crocker & Co. credit for the tea they returned January 10? Very well. The other day I was examining the contents of the different chests returned and found that coffee beans had been mixed with the tea. This is probably the packer's fault. I will write to Reid, Smith & Sons about it. The tea was purchased from them some time ago. I will request the shipping clerk to see that the five chests are returned to-day. Send them a debit memorandum, charging 35¢ a pound, which is the cost price.

"What is the total amount of the cash sales to-day?" (Per cash sales checks, $502.80.)

January 25. — "Deposit to-day $625 in currency.

"What is the total amount of the cash sales to-day?" (Per cash sales checks, $325.80.)

January 29. — "Order received:" —

Order No. 75. KANSAS CITY, MO., January 26, 19....

H. B. CLAY & Co., Chicago.

Please ship via fast freight: 10 bbls. molasses, 50 gal. each, @ 49¢; 5 bbls. Pillsbury flour, @ $4; 25 boxes Ivory soap, @ $4.50; 10 boxes Cream cheese, 54 lb. each, @ 16¢; and charge to the account of

W. H. CLARK & Co.

"What is the total amount of the cash sales to-day?" (Per cash sales checks, $373.60.)

January 31. — "I have been corresponding with A. B. Rider & Son, Rock Island, in reference to accepting some of our goods on consignment. They reply that they are quite confident the articles will sell readily. Have the shipping clerk ship to A. B. Rider & Son, on consignment, 100 boxes Ivory soap, @ $4.50, and 100 chests Oolong tea, 40 lb. each, @ 47¢. The agreement is that the goods are not to be sold on commission, but to be billed at our regular prices as though bought outright. But they are not to be paid for till A. B. Rider & Son have sold them.

"Mr. Seymour writes that he will need a mileage book in a few days. Send him a check for $50.

"What is the total amount of the pay roll? $525? See that you have money enough in the drawer to pay off with. How much currency is there now in the drawer? $719.03? Very well, pay off the help.

"Give W. A. Seymour credit for salary at the rate of $125 a month, beginning January 1. We partners each receive a salary of $200 a month.

"As this is the last day of the month, begin to take off statements so as to have them ready to mail this evening. Make a list of them before mailing.

"What is the total amount of the cash sales to-day?" (Per cash sales checks, $175.50.)

NOTE. — Journalize the invoices which were received during the month. (See note on page 50.) Take off a trial balance.

Invoices received during the Month

CHICAGO, January 4, 19....

H. B. CLAY & Co., Chicago.

To DUCAT, LYON & Co. *Dr.*

For premium on insurance as per policies #96758, #78276, #6478, #4678, $350.00

Paid,

Ducat, Lyon & Co.

MINNEAPOLIS, MINN., January 5, 19....

H. B. CLAY & Co., Chicago.

Order No. 1. Bought of PILLSBURY MILL Co.

300 bbls. Pillsbury flour, @ $3.50 $1050.00

NEW YORK, January 5, 19....

H. B. CLAY & Co., Chicago.
Order No. 2. Bought of C. JOHNSON & Co.
Terms 30 days.

25 bbls. W. C. sugar, 8250 lb.,	@ 4¢	$330.00
30 bbls. N. O. molasses, 1500 gal.,	@ 38¢	570.00
		$900.00

MINNEAPOLIS, January 29, 19....

H. B. CLAY & Co., Chicago.
Order No. Bought of PILLSBURY MILL Co.
Terms 30 days.

250 bbls. Pillsbury flour,	@ $3.50	$875.00

CHICAGO, January 29, 19....

H. B. CLAY & Co., Chicago.
Terms Cash. Bought of REID, SMITH & SONS.

20 bbls. vinegar, 1000 gal.,	@ 10¢	$100.00
20 chests Oolong tea, 800 lb.,	@ 35¢	280.00
		$380.00

CHICAGO, January 26, 19....

H. B. CLAY & Co., Chicago.
Bought of REID, SMITH & SONS.

200 boxes Ivory soap,	@ $3.50	$700.00
100 bbls. Y. C. sugar, 30000 lb.,	@ .04	1200.00
		$1900.00

CHICAGO, January 26, 19....

H. B. CLAY & Co., Chicago.
Order No. 7. Bought of C. H. ODELL & Co.

2 Curtain Top desks,	@ $25.00	$50.00
2 chairs,	@ 10.00	20.00
		$70.00

CHICAGO, January 26, 19....

H. B. CLAY & Co., Chicago.
To CHICAGO GAS LT. & COKE Co. *Dr.*

Gas from January 1 to January 26	$48.50	
Less 20 %	9.70	$38.80

CHICAGO, January 1, 19....

H. B. CLAY & Co., Chicago.
To THE CHICAGO TELEPHONE Co. *Dr.*

Rent of telephone No. ..... from January 1 to April 1, $37.50

Manager's Instructions to his Bookkeeper

February 1. — "What is the balance in bank?

"Mail the Pillsbury Mill Co. a check for $500 to apply on account.

"Send a check for $70 to C. H. Odell & Co. to balance our account.

"What is the balance we owe Reid, Smith & Sons according to our books? $2210? Give them a check for $410, and two notes for $900 each; one for 15 days and the other for 30 days. Date them to-day and have them payable at our office.

"Mr. Seymour returned this afternoon and left his expense book for January. Give him credit for it."

(Explanation)	Sundry items		$75.50
	Mileage No. 33375, 2000 miles,	@ 2¢	40.00
	Mileage No. 36287, 350 miles,	@ 2¢	7.00
	Total expenses for January		122.50

"What is the total amount of the cash sales to-day?" (Per cash sales checks, $237.50.)

February 3. — "What is the total amount of the cash sales to-day?" (Per cash sales checks, $133.95.)

February 5. — "Let me see the cash balance sheet. You say you had not finished because the cash is short $13.50? Then do not lose any more time, but charge the amount to Suspense account. Should you find it you can credit this account.

"Deposit to-day $550 in currency.

"Order received:" —

Order No. 855. SPRINGFIELD, ILL., February 4, 19....

H. B. CLAY & Co., Chicago.

Please ship via the C. & A. R.R.: 10 bbls. St. Louis flour, @ $4, and charge to the account of

C. B. FROST & Co.

"What is the total amount of the cash sales to-day?" (Per cash sales checks, $102.50.)

"Have you paid the gas bill? No? Then do it to-day by check."

February 7. — "These remittances came in this morning: A. B. Rider & Son's check for $100; C. B. Frost & Co's. check for $325; W. A. Crocker & Co's. check for $57.50, and also their note for $100, dated February 5, for 30 days, at 7% interest, payable at the Third National Bank, to balance invoice of January 3. Before entering remittances always examine the accounts to see if their amounts correspond.

"Do not forget to make a deposit to-day. Deposit all the currency but $25." (Cks. $482.50, Cy. $254.98.)

"What is the total amount of the cash sales to-day?" (Per cash sales checks, $96.35.)

February 8. — "Pay this bill of S. E. Sweet & Co., horseshoeing, $9.75; write out a check for the amount.

"Mail a check to-day for the telephone bill.

"Give the errand boy 50 cents for car fare.

"Let me have $5 for five tickets for the Letter Carriers' Ball.

"What is the balance in bank? Did you leave the Deposit Book at the bank last month to be balanced? No? Then do it to-day." (See page 120.)

"Telephone to W. A. Crocker & Co. to ship, via fast freight, 20 bbls. apples to C. B. Frost & Co., Springfield, Ill., and charge to our account. Tell them to be sure to ship to-day. Charge the apples to C. B. Frost & Co., at $5.75 a barrel.

"What is the total amount of the cash sales to-day?" (Per cash sales checks, $107.50.)

February 10. — "This letter and statement are from A. B. Rider & Son, stating that they have sold 100 boxes Ivory soap and 100 chests of Oolong tea, closing out the consignment shipped them January 31. Make entry for same. (Credit the consignment account and debit A. B. Rider & Son's regular account.)

"Give Mr. Seymour credit for the remaining number of miles on this mileage book, No. 36287, C. M. & St. P. R.R.; then place the book in the safe until needed."

(Explanation)	Mileage book No. 36287 returned			
	1650 miles,	@ 2¢	$33.00	
	Rebate cover,		10.00	$43.00

"Is there $150 in currency in the cash drawer? Yes? Then give Mr. Seymour $50 for a mileage book on the C. R. I. & P. R.R., and $100 for expenses.

"Let me see the trial balance. What about C. H. Miller & Co's. account? Are they owing us $300? Turn to the Ledger and let me see their account. This account does not show all that it should; please ascertain what is wrong, and make the proper entry. Always study every account before taking a trial balance, and see that each one shows its correct balance. Always make all the entries that are required for any transaction.

"How much was the cash short the other day? $13.50? Charge $10 of it to my account. I recollect taking it from the cash drawer while you were out at luncheon, but failed to make a ticket for it.

"What is the total amount of the cash sales to-day?" (Per cash sales checks, $385.90.)

February 11. — "Enter this check, $214.34. It is from W. A. Crocker & Co., to balance account; less 1% for cash, $2.16. Give them credit for amount of check, and write that we can not allow them 1% discount, as the account is long past due.

"Have you checked the bank account? Let me see the memorandum.

"Orders received:" —

Order No. 200. CHICAGO, February 11, 19....

H. B. CLAY & Co.

Please deliver to our teamster: 15 bbls. Pillsbury flour, @ $4; 10 boxes Ivory soap, @ $4.50; and charge to the account of

W. A. CROCKER & Co.

Order No. 865. SPRINGFIELD, ILL., February 10, 19....

H. B. CLAY & Co., Chicago.

Please ship via the C. & A. R.R.: 3 bbls. molasses, 50 gal. each, @ 50¢; 5 bbls. Pillsbury flour, @ $4; and charge to the account of

C. B. FROST & Co.

"Here is A. B. Rider & Son's check for $700 with which to pay their note due to-morrow. Was their note interest-bearing? Yes? Then charge their account with the interest ($4.08) and send them a bill. At the same time write them that the interest has been omitted.

"Deposit to-day $1714.34." (Cks. $914.34, Cy. $800.)

"What is the total amount of the cash sales to-day?" (Per cash sales checks, $350.75.)

February 14. — "Let me see the list of the statements you sent out the first of the month. I see that you have not been checking the names and amounts as they are paid. Hereafter please see that this is attended to every morning.

"Deposit to-day $225 in currency.

"The firm has purchased to-day from C. H. Harris & Co. 36 shares Michigan Central Railroad stock, at $115 a share. Write out a check for the amount ($4140) to the order of C. H. Harris & Co.

"What is the total amount of the cash sales to-day?" (Per cash sales checks, $600.69.)

February 15. — "Give the errand boy $60 in currency, and have him purchase 500 two-cent stamps, and also 5000 one-cent stamps for the circulars. To which account have you been charging postage stamps? Expense account? That is correct; however, I want a Postage account, so as to enable us to know how much we pay a year for stamps. Transfer to Postage account what you have already charged to Expense account.

"Write out a check for $26.50 in favor of the Michigan Central Railroad Co. for freight charges on shipment from C. Johnson & Co. Hand this check with the freight notice to the teamster, and have him deliver the goods to us.

"Enter this check from W. H. Clark & Co. in settlement of invoice January 29, as stated in their letter." (Check amount, $459.27; 1% discount, $4.63; invoice amount, $463.90.)

"When did this notice come in?"

THIRD NATIONAL BANK

Dearborn Street.

CHICAGO, Feb. 13, 19____

H. B. CLAY & Co.

Your Paper for $900.00 matures on February 16.

C. B. HARRISON, *Cashier.*

Checks Presented in Payment must be certified.

Banking hours: 10 A.M. to 3 P.M.
Saturdays, 9 A.M. to 12 M.

"I see it is from the Third National Bank to take up our note for $900 which we gave to Reid, Smith & Sons.

"What is the balance in bank?" ($114.27.)

"Do not fail to deposit to-day W. H. Clark & Co's. check and $238.50 in currency.

"What is the total amount of the cash sales to-day?" (Per cash sales checks, $96.75.)

February 16. — "What bank is holding our note, $900, which is due to-day? Write out a check for the amount to the order of that bank, and I will sign it. Should the bank messenger come in while I am out you may pay the note.

"Has the bank messenger been in? No? That is strange! It is now 2:30, so you had better take the check with the notice to the bank and pay the note. By the way, do not forget to have the check certified.

"What is the total amount of the cash sales to-day?" (Per cash sales checks, $131.50.)

February 17. — "What is the balance in bank? Overdrawn $87.96? And did the bank certify our check yesterday for $900? Yes? Well, some checks must still be out.

"Deposit this morning $100 in currency to cover the overdraft of yesterday."

February 23. — "While you were at luncheon the messenger from the Students' National Bank called and presented for acceptance a draft for $292.50 drawn on us by C. Johnson & Co. in favor of the New York National Bank. I have accepted it, so make the entry for it. The draft was at five days' sight.

"Enter this check, $33.32, of James H. Johnson in settlement of the interest on his note, due to-morrow. He wishes the note renewed and has inclosed to us this judgment note, $4000, dated February 21, at 30 days, with interest at 10% per annum, payable at the Fifth National Bank, New York. Give him credit for the new note and return the old one.

"Send Mrs. W. A. Seymour a check for $150.

"What is the total amount of the cash sales to-day?" (Per cash sales checks, $249.50.)

February 28. — "What paper do we have to meet to-day? What is the balance in bank? Overdrawn $137.96? Since when? Why did you not call my attention to the matter at the time? It brings us 'pretty close to shore,' having to meet to-day a pay roll of about $1000 and a draft for $292.50. How do you expect me to make arrangements to pay all that to-day?

"Let me have the collector's book. Give the collector a statement of Murdock Bros. Co.'s account and have him collect it. Hereafter do not wait for me to ask you what notes are becoming due, but keep me informed from day to day. Look over the Bill Book every morning, and about ten days before a note falls due tell me about it, and again two

days previous to its maturity. I want you to take as much interest in this business as if it were your own, and you were managing it for yourself. Whenever you see that I overlook or neglect certain transactions or accounts, or that I fail to ask you questions of importance, I want you to come and tell me about them.

"Has the collector returned? How much did he collect? $200? Very well. Give Murdock Bros. Co. credit for the amount of the check, and then prepare the deposit. Deposit all the checks you have in the safe ($233.32), leaving the currency for the pay roll. What is the total amount of the pay roll? $750? How much currency have you in the cash drawer? $464.94? Use $450 of it for the pay roll. Now what amount will you still require to pay the help and take up the draft? $497.14? Then wait until 11:30 before making a deposit. In the meantime I will go to the bank and see if they will discount our note for $1000 payable in 30 days. While I am gone you may write out the check to pay the draft, $292.50, and also write out one for 'Currency' ($300) to cover the pay roll.

"I called at the bank and they discounted our note, $1000, payable in 30 days, charging 7 % discount ($5.83). You may now go to the bank, and when you have deposited, ask the discount clerk to enter on our Deposit Book the proceeds of the note I had discounted about an hour ago. Then stop at the note teller's window, pay the draft, and have the check cashed at the paying teller's window.

"Pay off the help about 4 o'clock.

"What is the total amount of the cash sales to-day?" (Per cash sales checks, $102.68.)

"This is Mr. Seymour's expense book for February:"—

(Explanation)	Sundry items		$55.50
	Mileage book No. C 3546,		
	Used 1500 miles,	@ 2¢	30.00
	Total expenses for February		$85.50

"As this is the last day of the month, see that all the invoices are O. K.'d. and then enter them. Leave the Deposit Book at the bank to be balanced." (See page 120.)

NOTE. — Make entries for the salaries, rent, etc. Take off trial balance.

"This is the month for closing our books. Have the men in the different departments stay and take an inventory." (See inventories on the next page.)

Invoices received during the Month

CHICAGO, February 5, 19....

H. B. CLAY & Co., City.

To S. E. SWEET & Co. *Dr.*

For horseshoeing $9.75

Paid,

S. E. Sweet & Co.

NEW YORK, February 17, 19....

H. B. CLAY & Co., Chicago.

Bought of C. JOHNSON & Co.

20 bbls. Standard A sugar, 6500 lb. @ .04½ $292.50

CHICAGO, February 28, 19....

H. B. CLAY & Co., City.

To CHICAGO GAS LT. & COKE Co. *Dr.*

Gas from January 26 to February 26,	$47.65	
Less 20 %	9.53	$38.12

NEW YORK, January 17, 19....

H. B. CLAY & Co., Chicago.

Bought of C. JOHNSON & Co.

12 hhds. N. O. molasses, 1200 gallons, @ 38¢ $456.00

CHICAGO, February 8, 19....

H. B. CLAY & Co., City.

Bought of W. A. CROCKER & Co.

20 bbls. apples, @ $3.85 $77.00

Shipped to C. B. Frost & Co., Springfield, Ill.

CHICAGO, February 10, 19....

H. B. CLAY & Co., City.

Bought of PILLSBURY MILL Co.

20 bbls. Pillsbury flour, @ $3.50 $70.00

Inventories

Merchandise	$5575.50
Mileage	43.00
Postage	15.00
Horses and Wagons	1450.00
Furniture and Fixtures	1500.00
Insurance (unexpired premium)	291.70
Interest accumulated on notes	8.23
Michigan Central R.R. Stock	4140.00

Deposit Book Balanced

19___		DEPOSITS		RETURNED CHECKS			
Jan.	3	Deposit,	5500 00	50 00	25 00		
	7	"	480 00	35 00	4000 00		
	13	"	450 00	25 00	50 00		
	25	"	625 00	300 00	50 00		
Feb.	5	"	550 00	350 00	500 00		
	7	"	737 48	50 00	38 80		
			8342 48	410 00	37 50		
					5921 30		
				Balance	*2421 18*	(red ink)	
					8342 48		
Feb.	9	Balance,	2421 18	4140 00			
	11	Deposit,	1714 34	26 50			
	14	"	225 00	900 00			
	15	"	697 77	150 00			
	17	"	100 00	292 50			
	28	"	233 32	300 00			
	28	" 1000.00 5.83	994 17	70 00			
			6385 78	5879 00			
				506 78	*Balance*	(red ink)	
				6385 78			

NOTE. — See direction to the teacher on page 55.

February 9, checks, #12, — $70.00, #15, — $9.75, still out.

February 28, check, #15, — $9.75, still out.

QUESTIONS FOR DISCUSSION

1. In what accounts will the falling off of a business first be likely to manifest itself? 2. What accounts would you study in order to gain an idea of the prosperity of a business? What books of record would you consult? 3. How from Ledger accounts could you gain an idea as to a customer's business character? 4. Can a Merchandise account show no sales during the year and yet close with a gain? 5. Of what value is a Bookkeeping account? What use can a business man make of it? 6. A merchant, keeping separate purchase accounts for different classes of goods, returns to the manufacturer an invoice of one class, and exchanges for another class. What are the possible entries? 7. How can you calculate the *rate* of gain or loss on a Merchandise or other representative account? 8. How can you decide — from any record books or papers — as to which of two classes of merchandise is producing the greater per cent of profit? 9. What is meant by the good will of a firm or corporation? Under what classification would its balance be entered if the account were on the Ledger? When is the account of no value? 10. A piano house sells a piano for $500, to be paid for in installments of $50 per month, with six per cent interest. Give all the entries for the transaction, including the payments. 11. Define an inventory. 12. How would you obey an order to "take an inventory" of a certain stock? 13. If you know the quantity of an article bought, and the quantity sold, is it safe to take the difference as the quantity in inventory? Can you make a true inventory from your books alone? 14. Can you give any reasons against taking the "cost" of certain articles — as shown by the record books — as the inventory value? 15. What determines inventory values? 16. Suggest methods of using the Ledger system for keeping a continuous inventory record of certain articles of merchandise. 17. After inventories have been entered, and the books closed and reopened, a discovery is made of certain merchandise which, by mistake, was not inventoried. What should be done?

SECTION II. COMMISSION

192. A Commission Merchant is one who sells goods for another, and receives for his services a certain per cent of the selling price, or a certain sum per unit of quantity, called "commission." (See Account Sales, page 99.)

193. The following set of books can be used in almost any produce commission house: —

Auxiliary Books: Order Book, Receiving Book, Shipping Book, Invoice Book, Petty Cash Book, Deposit Book, Check Books, Bill Book, Checking Book, Account Sales Book.

Books of Entry: Account Sales Journal, Sales Book, Cash Book, Journal, Ledger.

194. The Checking Book is written up from the Receiving Book and Sales tickets, so as to show when a consignment is "closed out."

Checking Book

Wednesday, October 19, 1901.

Lot No. 1. *Consignor, Frank & Son,*

Received, 10 bbls. Crabs and Apples. *Address, Sheboygan, Wis.*

Freight, $3.15. *Cartage, 40¢.*

HOW SOLD						
	9	bbls. Crab Apples	@ $4.00			
	1	" Apples	@ 3.25			

NOTE. — The Lot number is the number given a consignment when it is entered in the Receiving Book.

195. The Account Sales Book is written up from the Checking Book, and constitutes a record of each consignment after it is closed out.

Its leaves are usually perforated so that the account sales on the right-hand side of the page can be easily torn out and sent to the consignors. Every account sales rendered should be an exact copy of the stub in this book. The book consists simply of a number of forms for account sales (page 99) printed on the right-hand pages.

Account Sales Book

A. M. CHASE & CO.

Sales No. 1. Chicago, Oct. 22, 1901.
Lot No. 1.

ACCOUNT SALES

Of 10 bbls. Crabs and Apples
For Frank & Son,
Sheboygan, Wis.
Received Oct. 19, 1901.

9	bbls. Crab Apples,	$4.00	36 00	
1	" Apples,	3.25	3 25	39 25
	Charges,			
	Freight, 3.15. Ctg., .40		3 55	
	Commission, 10 %		3 93	7 48
	Net Proceeds,			31 77

A. M. CHASE & CO.

Sales No. 1. Chicago, Oct. 22, 1901.
Lot No. 1.

ACCOUNT SALES

Of 10 bbls. Crabs and Apples
For Frank & Son,
Sheboygan, Wis.
Received Oct. 19, 1901.

9	bbls. Crab Apples,	$4.00	36 00	
1	" Apples,	3.25	3 25	39 25
	Charges,			
	Freight, 3.15. Ctg., .40		3 55	
	Commission, 10 %		3 93	7 48
	Net Proceeds,			31 77

A. M. CHASE & CO.

Sales No. Chicago,
Lot No.

ACCOUNT SALES

Of
For

Received

	Charges,			
	Freight, Ctg.,			
	Commission,			
	Net Proceeds,			

A. M. CHASE & CO.

Sales No. Chicago,
Lot No.

ACCOUNT SALES

Of
For

Received

	Charges,			
	Freight, Ctg.,			
	Commission,			
	Net Proceeds,			

196. When an account sales is rendered with no check for the net proceeds accompanying it, the account sales should be journalized in the regular Journal by debiting Merchandise account with the gross amount, crediting Freight and Cartage account and Commission account with their respective amounts, and crediting the consignor's account with the net proceeds.

197. The Account Sales Journal is used only for journalizing such account sales as have checks for the net proceeds sent with them. This journal differs materially from the regular Journal, and its object is to save work. Accounts are opened with the banks on which checks have been drawn, for the net proceeds, instead of with each consignor, and instead of the usual order of entries, the entries are distributed among as many pages as there are different banks drawn on.

This book is ruled with columns as follows: Date (of account sales), Sales No. (number in Account Sales Book), Account of (name of consignor), Check No. (on bank), Mdse. (Gross Amount), Freight and Cartage, Commission, Net Proceeds, and Deposits. The Deposit column is for convenience only.

The Mdse., Freight and Cartage, Commission, and Net Proceeds columns are added up and posted once a month from an entry in this journal. Debit Merchandise account with the gross sales, credit Freight and Cartage and Commission with their respective amounts, and credit the net proceeds to the bank whose name is at the head of the page.

NOTE. — Merchandise account is debited from the Account Sales Journal because the value of the goods received to be sold on commission is ascertained only as the consignments are sold out. Merchandise and Sales accounts show no profit or loss, as their balances offset each other.

Account Sales Journal

NEW HAVEN CITY BANK, NEW HAVEN, MICH.

Date 1902		Account Sales No.	Account of	Check No.	Mdse. Gross Sales	Freight and Cartage	Commission	Bank Net Proceeds	*Deposits* (red ink)
Sept.	1	579	W. D. Brown, New Haven	85	75 92	7 50	7 59	60 83	*276 50*
"	2	580	Shea & Wells, New Haven	86	65 08	8 90	6 50	49 68	*200 00*
"	2	583	M. B. Wayne, Grand Haven	87	37 55	5 75	1 88	29 92	*476 50*
"	4	599	C. C. Phillips, Grand Haven	88	45 55	4 40	4 56	36 59	
"	4	605	M. B. Baker, New Haven	89	39 33	3 75	3 93	31 65	
"	4	610	G. L. Kent, New Haven	90	24 75	3 00	1 23	20 52	
			Mdse. Sundries		288 18				
			Freight and Cartage		451	33 30			
			Commission			671	25 69		
			New Haven City Bank				951	229 19	229 19
								1251	*247 31*
									(red ink)

SET II. EXERCISES

General Instructions. — Books required: Deposit Book, Check Books (Chicago and Sheboygan), Bill Book, Account Sales Book, Sales Book, Cash Book, Journal, Account Sales Journal, Ledger.

The student may rule his own Account Sales Book and Account Sales Journal according to the specimen pages (see page 122 and above). The Account Sales Book requires six pages, and the Account Sales Journal two pages.

The money columns in the Cash Book are to be headed as follows: Debit side — "Sales" and "Sundries." Credit side — "Freight and Cartage" and "Sundries."

Representative accounts used: Bills Payable, Bills Receivable, Cash, Commission, Expense,

[1] Ledger page.

Freight and Cartage, Furniture and Fixtures, Horses and Wagons, Interest and Discount, Loss and Gain, Merchandise, Mileage, Rent, Salary, Sales, Traveling Expense, Wheat.

The Check Book of the Sheboygan Bank is used only for remitting net proceeds to consignors. On the stub write the date, name of consignor, address, sales number, and the amount.

The Petty Cash Book entries in the exercises are to be transferred immediately to the Cash Book. The "Balance $10.00" is not to be entered, as that amount is to remain in the cash drawer.

The Account Sales Book should be written up from the Checking Book shown in the exercises.

The name of the firm is A. M. Chase & Co. There are two partners, A. M. Chase and E. E. Fish. A. M. Chase is to be the manager and receive a salary of $250 a month, and E. E. Fish, who is to devote only a portion of his time to the business, is to receive a salary of $100 a month. A. M. Chase is to have 75% of the net profit or loss, and E. E. Fish is to have 25%.

Manager's Instructions to his Bookkeeper

Chicago, October 15, 19.... — "As shown by the contract, we partners invest as follows: A. M. Chase invests cash, $2500; horses and wagons (per inventory), $1500; and furniture and fixtures (per inventory), $500. E. E. Fish invests cash, $500, and his promissory note for $1000, dated October 15, at 3 months, payable at the Sixth National Bank.

"Deposit to-day $3000.

"Write out a check for $50 to the order of currency for the cash drawer. Give the cashier $10 of it for her cash drawer, and charge it to her."

October 17. — "Pay this bill for stencils,[1] $15, in currency.

"Give Wm. H. Bennett, our traveling agent, $150 in currency; $50 of it is for a mileage book, and $100 for expenses. As there is not money sufficient in the drawer, write out a check for the amount, and have it cashed at the bank. Mr. Bennett will go out on the road to-night.

"Pay this bill of $13.50, by check, to Wells, Smith & Co. for stationery.

"Send a check for $65 to the Diebold Safe Co. for a safe we bought yesterday.

"Pay this carpenter's bill, $4.50, in currency.

"Let me have a check for $75 and charge it to my account."

October 19. — "Give me $3; it is for the Newsboys' Home.

"Send a check for $125 to H. O. Sweet & Co. for October rent.

"Mail a check for $1000 to the Sheboygan Bank, Sheboygan, Wis., to be deposited to our account.

"Here is the cashier's cash book and the money. Copy her cash book and then return it to her." (See general instruction, above.)

Petty Cash Book

Dr.			Cr.		
			Exp.	Frt.	Ctg.
Oct. 19, Balance	10.00	Oct. 19, Frank & Son		3.15	.40
Oct. 19, Cash sales	93.50	Oct. 19, Kent & Smith		3.71	.74
		Oct. 19, C. B. Williams		6.30	.50
		Oct. 19, Car fare	.50		
		Oct. 19, Two suppers	1.20		

[1] Stencil. — A piece of brass, given to a shipper, used in painting on his boxes and barrels the number which is cut in the stencil. This is done so that the merchant can identify the goods as they are received.

"Orders received: Auditorium Hotel, City, 5 bbls. apples; charge $4.50 a barrel.). W. Rayhill, Oak Park, Ill., 9 bbls. apples @ $4.

"What is the balance in bank?"

October 22. — "Send for the Checking Book and render account sales to those whose consignments are closed out. Charge 10% commission on apples. Mail checks with the account sales."

Checking Book

October 19, 19...

FRANK & SON

Lot No. 1.
Frt. 3.15. Ctg. 40¢.

SHEBOYGAN, WIS.

10 barrels	Crabs and Apples		
9 barrels	Crab Apples	@ $4.00	36.00
1 barrel	Apples	@ 3.25	3.25
10			39.25

KENT & SMITH

Lot No. 2
Frt. 3.71. Ctg. 74¢

SHEBOYGAN, WIS.

13 barrels	Apples		
5 barrels	Apples	@ $4.50	22.50
1 barrel	Apples	@ 4.00	4.00
4 barrels	Apples	@ 3.75	15.00
3 barrels	Apples	@ 3.25	9.75
13			51.25

C. B. WILLIAMS

Lot No. 3
Frt. 6.30. Ctg. 50¢

SHEBOYGAN, WIS.

20 barrels	Apples		
6 barrels	Apples	@ $4.00	24.00
8 barrels	Apples	@ 3.00	24.00
3 barrels	Apples	@ 2.50	7.50
3 barrels	Apples	@ 2.00	6.00
20			61.50

Petty Cash Book

DR.					CR. Frt.	Ctg.
Oct. 22.	Balance,	10.00	Oct. 22.	F. W. Harvey,	5.16	.75
Oct. 22.	Cash Sales,	88.85	Oct. 22.	Morgan Bros.,	7.44	1.00
			Oct. 22.	M. B. Parker,		.50

October 24. — "Give A. M. Lawson, our traveling agent, $100 in currency and charge to him. It is for a mileage book and expenses.

"The Hotel Richelieu telephoned for 2 dozen partridges, at $6.00, and 3 barrels apples, ; $4.50. Auditorium Hotel, 7 barrels apples, at $3.00."

October 25. — "What is the balance in bank?

"Write out a check for $500 to the order of Farnum & Co., as a margin to cover the purchase of 10,000 bushels of wheat for us on the Board of Trade."

NOTE. — A margin is a cash deposit required by a broker to insure himself against loss in buying and selling for a customer. If the price of the commodity changes sufficiently to use up the margin, the broker calls upon his customer for additional margin; and if the new margin is not deposited promptly, the broker may close out his customers' trades in order to protect himself.

"Mr. E. E. Fish wishes a check for $50 made to the order of George B. Fish. Write out the check now and I will sign it.

"Have you rendered account sales for the consignments that are closed out? No? About time you did — it is after 3 o'clock. Send for the Checking Book at once. Charge 5% commission on poultry and game."

Checking Book

October 22, 19

Lot No. 4. F. W. HARVEY

Frt. $5.16. Ctg. 75¢ SHEBOYGAN, WIS.

14 barrels Apples.	2 kegs Crab Apples.		
5 barrels	Apples	@ $4.00	20.00
3 barrels	Apples	@ 4.50	13.50
2 barrels	Apples	@ 4.00	8.00
2 barrels	Apples	@ 3.75	7.50
2 barrels	Apples	@ 3.50	7.00
1 keg	Crab Apples	@ 1.75	1.75
1 keg	Crab Apples	@ 1.60	1.60
16			59.35

Lot No. 5. MORGAN BROS.

Frt. $7.44. Ctg. $1.00. SHEBOYGAN, WIS.

20 barrels	Apples.		
7 barrels	Apples	@ $3.00	21.00
3 barrels	Apples	@ 4.00	12.00
10 barrels	Apples	@ 3.00	30.00
20			63.00

Lot No. 6. M. B. PARKER

Frt. Ctg. 50¢ SHEBOYGAN, WIS.

1 box	26 Partridges.		
2 dozen	Partridges	@ $6.00	12.00
2 only	Partridges	@ .50	1.00
26			13.00

October 31. — "What is the balance in bank?" ($971.50.) "What is the balance in the Sheboygan Bank?" ($770.40.)

"Mail Mr. Bennett a check for $50; it is for a mileage book.

"This is a memorandum of the employees and their salaries: shipping clerk, $50 a month; two salesmen, each $65; errand boy, $15; stenographer, $85; cashier, $40; teamster,

$40; and yourself, $100. You may pay them to-day. How much currency do you require? $230? Draw a check for the amount to the order of currency.

"Make the entry for the salaries of the partners and traveling agents. Mr. Bennett and Mr. Lawson receive each a salary of $100 a month. They both began work on October 15th."

NOTE. — As this is the last day of the month, make the entries for the rent and the invoices received. Take off a trial balance.

Invoices received during the Month

CHICAGO, October 17, 19....

A. M. CHASE & Co.

Bought of WELLS, SMITH & Co.

2000 Letter heads,	$4.00	
2000 Bill heads,	4.00	
5000 Envelopes,	4.00	
1000 Business cards,	1.50	$13.50

Paid
Wells, Smith & Co.

CHICAGO, October 15, 19....

A. M. CHASE & Co., Chicago.

To THE CHICAGO TELEPHONE Co. *Dr.*

Rent of telephone No. ____ from Oct. 15, 19.... to Jan. 15, 19.... $37.50

CHICAGO, October 15, 19....

A. M. CHASE & Co., Chicago.

Bought of DIEBOLD SAFE Co.

1 Diebold safe No. ____, $65.00

CHICAGO, October 31, 19....

A. M. CHASE & Co., City.

To THE CHICAGO GAS LT. & COKE Co. *Dr.*

Gas from October 15 to October 31,	$13.50
Less 20%	2.70
	$10.80

Manager's Instructions to his Bookkeeper

November 1. — "Orders received by telephone: Hotel Richelieu, 100 lb. Canvas-back duck, @ 11¢; 5 bbls. apples, @ $4.50. Auditorium Hotel, 222 lb. chicken, @ 8½¢; 13 bbls. apples, @ $4.50."

November 2. — "Write out a check for $500, and mail it to the Sheboygan Bank.

Petty Cash Book

DR.					Frt.	CR. Ctg.
Nov. 1.	Balance,	$10.00	Nov. 1.	Frank & Son,	$9.34	$1.25
Nov. 1.	Cash Sales,	69.92	Nov. 1.	M. D. Bright,	2.48	
Nov. 2.	Cash Sales,	31.56	Nov. 1.	Pulley & Co.	4.97	

"M. D. Bright writes that he has drawn a draft on us for $40 to the order of George Swift, so do not send check for his consignment, as we will pay the draft."

November 5. — "Write out a check for last month's gas bill."

Checking Book

November 1, 19....

Lot No. 7. FRANK & SON,
Frt. $9.34. Ctg. $1.25. SHEBOYGAN, WIS.

25 barrels	Apples.		
13 barrels	Apples	@ $4.50	58.50
7 barrels	Apples	@ 3.00	21.00
5 barrels	Apples	@ 4.50	22.50
25			102.00

Lot No. 8. M. D. BRIGHT,
Frt. $2.48. Ctg. FORT HOWARD, WIS.

2 barrels	Poultry 415 lb.		
371 lb.	Poultry	@ 12¢	44.52
44 lb.	Poultry	@ 10¢	4.40
415			48.92

Lot No. 9. PULLEY & CO.
Frt. $4.97. Ctg. FORT HOWARD, WIS.

363 lb. Duck	222 lb. Chicken.		
263 lb.	Duck	@ 12¢	31.56
100 lb.	Duck	@ 11¢	11.00
222 lb.	Chicken	@ 8½¢	18.87
585			61.43

November 7. — "Mail a check to the Chicago Telephone Co. for the balance of their account.

"Deposit to-day $75 in currency.

"Mail to Mr. Bennett a check for $150, and charge it to his expense account.

"Mrs. A. M. Lawson is here, and she wishes a check for $100; give it to her and charge it to Mr. Lawson's account.

"What is the balance in bank? Bank account overdrawn $31.80? Well, we shall have to make good that amount by November 10, as all the checks will have been presented for payment at the bank by that date."

November 10. — "The messenger from the Third National Bank was here with M. D. Bright's draft, drawn on us for $40 at five days' sight. I have accepted the draft.

"I called this morning on M. A. Cook & Co. in reference to exchanging checks with us for a few days. They expressed regret, but they could not accommodate us, as they were short of funds themselves. However, they said if their note would be an accommodation to us, they would be pleased to favor us with it, so that we could have it discounted, and thereby obtain what money we require. This is their note, $200 at 20 days, payable at

the Third National Bank. Enter it, and I will take it to the bank and see if I can get it discounted.

NOTE. — A note by means of which one lends his credit in this way is called accommodation paper. Had M. A. Cook & Co. agreed instead to the exchange of checks, A. M. Chase & Co. would have deposited the former's check at once in order to make use of the money, while Cook & Co. would have delayed depositing Chase & Co.'s check for a day or so in order to give the latter time to raise the money to meet it.

"The bank discounted M. A. Cook & Co.'s note, charging 7 % discount. (20 days, 78¢.) When you go to the bank, see that the proceeds are entered in the Deposit Book."

November 15. — "These are W. H. Bennett's Expense books:" —

October Expense Book, —	Sundry items,	$ 63.50
	Mileage book # 22768, 2000 miles, @ 2¢	40.00
	Total expenses,	$ 103.50
November Expense Book, —	Sundry items,	$ 78.45
	Mileage book # 24356, 1500 miles, @ 2¢	30.00
	Total expenses,	$ 108.45

"How about Mr. Bright's draft; is it due to-day? Yes? Then write out a check for the amount, and when the bank messenger comes in you may pay the draft. The Third National Bank has it.

"By the way, I failed to tell you, Mrs. W. H. Bennett called on November 10, and I gave her a check for $ 50 from my private Check Book, but signed the firm's name to it. Now while you think of it, you had better fill in a stub for the amount and have it posted to Mr. Bennett's account.[1] Also give Mr. Bennett credit for the remaining number of miles in this mileage book: mileage book number 24356, 500 miles at 2¢, $ 10, rebate cover, $ 10, total, $ 20.

"Mr. Bennett informed me this morning that he is going to leave us to-day. Write up his accounts to date and transfer the balance of his Expense account to his private account, and then let me know what the balance is."

November 23. — "Orders received by telephone: Lake Shore Hotel, 52 lb. culls, @ 7¢. Hotel Richelieu, 111 lb. chicken, @ 8¢; 563 lb. turkey, @ 12¢."

Petty Cash Book

Dr.					Cr. Frt.	Cr. Ctg.
Nov. 22.	Balance,	$ 10.00	Nov. 22.	John W. Smith,	$ 10.18	.75
Nov. 22.	Cash sales,	55.50	Nov. 22.	G. M. Goodrich,	2.94	.50
			Nov. 22.	M. D. Bright,	7.34	.50

November 28. — "What is the balance in bank?"

Petty Cash Book

Dr.			Cr. Frt.	Cr. Ctg.
Nov. 28.	Balance,	$ 10.00		
Nov. 28.	Cash sales,	255.72		

[1] The bookkeeper is supposed to destroy the check when writing the stub, but the student should fill it in and place it with the others in his envelope, to represent the check given by the manager.

Checking Book

November 22, 19___

JOHN W. SMITH

Lot No. 10.
Frt., $10.18. Ctg., 75¢.

SHEBOYGAN, WIS.

7 barrels	Poultry	1767 lb.	
52 lb.	Culls	@ 7¢	3.64
1477 lb.	Turkey	@ 12¢	177.24
238 lb.	Canvas-back Duck	@ 11¢	26.18
1767			207.06

GEORGE M. GOODRICH

Lot No. 11.
Frt., $2.94. Ctg., 50¢.

FORT HOWARD, WIS.

1 box	2 barrels	Poultry	566 lb.	
112 lb.		Turkey	@ 12½¢	14.00
195 lb.		Chicken	@ 8¢	15.60
259 lb.		Canvas-back Duck	@ 10¢	25.90
566				55.50

M. D. BRIGHT

Lot No. 12.
Frt., $7.34. Ctg., 50¢.

FORT HOWARD, WIS.

6 barrels	Poultry	1197 lb.	
111 lb.	Chicken	@ 8¢	8.88
563 lb.	Turkey	@ 12¢	67.56
523 lb.	Chicken	@ 10¢	52.30
1197			128.74

November 30. — "Deposit to-day $350 in currency.

"What is the balance in the Sheboygan Bank?" ($786.28.)

"As this month closes our business with consignors in Wisconsin, you may draw a draft at sight on the Sheboygan Bank for our balance. Draw through our bank here, and have the draft deposited to our credit when you go to the bank.

"When must M. A. Cook & Co. take up their note? To-day? You should have spoken of it before now. Write out a check immediately for the amount and have the errand boy take it to their office.

"Farnum & Co. have sold out our purchase of 10,000 bushels of wheat. This is their check for the net proceeds, $199.28.

"Has Mr. Lawson sent in his expense book for October? No? Then write to him, and say that we must have his expense book promptly the first of every month.

"Write out a check for the employees' salaries and I will sign it, for I must leave the office in a few minutes and shall not be here again to-day. What will be the amount of the check?" ($460.)

"Do not fail to leave the Deposit Book at the bank to be balanced, as that matter was overlooked last month.

"Close the books this month and let me have the statements by December 5." (See inventories, page 131.)

Invoices received during the Month

CHICAGO, November 24, 19....

A. M. CHASE & Co., City.

To THE CHICAGO GAS LT. & COKE Co. *Dr.*

Gas from October 31 to November 24,	$15.00	
Less 20%	3.00	$12.00

CHICAGO, November 1, 19....

A. M. CHASE & Co., City.

To H. O. SWEET & Co. *Dr.*

Rent for No. ..... South Water St. for month of November $250.00

Inventories

Furniture and Fixtures	$550.00
Horses and Wagons	1000.00
Mileage	20.00

NOTE. — Although the consignments in this set are all sold out at the time of closing the books, it often occurs in the commission business that there are consignments on hand which are only partly closed out at this period. In such a case the extensions should be made for what has been sold, according to the Checking Book, and the total amount inserted in Merchandise account as a liability inventory, because it represents the debts which the firm owes the shippers. In Freight and Cartage account insert the total charges paid out on these consignments and in Commission account the total commission on what has been sold. These two amounts should be inserted as resource inventories because they represent debts which the shippers owe the firm.

Monthly Bank Statement

19 *Vouchers Returned.*

A. M. CHASE & CO.

In Account Current with the STUDENTS' NATIONAL BANK of Chicago.

Checks	Checks	Checks	Checks	Checks	19....		Deposits
50 00	230 00				Oct.	15	3000 00
150 00	50 00				Nov.	7	75 00
13 50	500 00				"	10	199 22
125 00	10 80				"	30	350 00
65 00	37 50				"	30	786 28
75 00	100 00						4410 50
1000 00	40 00						
50 00	50 00						
500 00	460 00						
	150 00						
	3656 80						
Balance,	*753 70*	(red ink)					
	4410 50						

November 30, check #19, — $200, still out.

NOTE. — A statement, such as given above, is rendered by most banking houses to depositors, instead of showing the process of balancing in the Deposit Book each month. The student, however, may copy it in his Deposit Book as before.

QUESTIONS FOR DISCUSSION

1. In how many different ways may a personal account close? Name them. 2. If placed in charge of a set of books of slightly unusual form, how would you familiarize yourself with them? 3. Your employer wishes to know the full amount of his dealings with a customer who always pays cash. Is it possible to prepare a statement? What books or papers might be consulted? 4. Write out a note in payment for merchandise. Trace by entries in your books, in books of merchant, etc. 5. Explain in detail how you would prove that the following classes of personal accounts in the Ledger are correct: purchase accounts, salary accounts, commission accounts, customers' accounts. 6. If no trial balance has been drawn off from a set of books for three months or more, explain how to proceed with the work, and state how many trial balances you would take off. 7. Explain how you would audit a Cash Book, Journal, Sales Book, etc. 8. What statement does a bank require of some depositors before it decides to make them loans? 9. Why should the dates of entries in the Books of Original Entry and the Ledger be in regular order? In what part of the entries should the exact dates of transactions occurring previous to the entry be noted? 10. If a personal account or a bill receivable has been charged off to Loss and Gain account, what account should receive the credit if the amount is paid later? 11. Give several reasons why a business may show a large profit or surplus and yet have a small cash balance on hand.

SECTION III. CONTRACTING BUSINESS

198. A Contract is a written agreement between two or more persons stating in detail the obligation of each party. It is usually an agreement by one party to furnish certain goods, or to perform certain work, for a certain price; and by another party to pay this price at a certain time, in a specified manner.

199. A contractor has two accounts for each contract, — Construction and Personal.

200. The Construction Account shows the cost of fulfilling the contract and also the profit or loss on it.

When the contract is received, this account is credited with the amount stipulated in the contract, and it is debited with labor, materials used, etc., at cost price. The excess of the credit side is a liability until the work is completed; when the work is completed, the difference between the two sides shows the amount of profit or loss, which is transferred to Loss and Gain account by Journal entry.

NOTE. — The name of this account varies with the nature of the business carried on. For example: Contractors who build or construct, would use the word "Construction," while electric light contractors would employ the word "Installation," decorators the word "Decoration," etc.; for instance, Smith House Construction, Smith House Installation, etc.

201. The Personal Account is an account with the person who pays for the contract. This account is debited with the amount of the bill rendered, and credited with the remittances.

202. Contract Account shows the amount of contracts received and completed. It is debited with the amounts of contracts received, and credited as the contracts are finished. The balance of this account is an asset (corresponding to the liabilities shown in the construction accounts). The account balances when all contracts are completed.

203. The following set of books can be applied to any line of business in which the firm undertakes to perform work, furnish supplies, etc., for a consideration according to contract: —

Auxiliary Books: Order Book (blanks), Receiving Book, Shipping Book, Petty Cash Book, Invoice Book, Deposit Book, Check Book, Bill Book, Construction (Cost) Book.

Books of Entry: Contract Book, Contract Sales Book, Cash Book, Journal, Ledger.

204. The Construction (Cost) Book shows the itemized cost of materials, labor, etc., used in fulfilling each contract. The items are obtained from requisitions, vouchers, invoices, etc.

The columns have different headings according to the nature of the business.

STEAMER "ROLAND" (INSTALLATION).

Contract No. 176. *For* Wright Transportation Co., Chicago.

Date Entered	Description	Items	Labor	Tools	Lamps and Sockets	Dynamos and Wiring	Piping and Foundation	Engines and Boilers	Freight Express Cartage	Incidentals Hotel Bills R. R. Fare	*Credits* (red ink)
1901											
May 15	Chicago Electric Co., invoice, May 10										
	1 200-Lt. Dynamo										
	1 Rheostat										
	1 Iron Base					650 00					
" 15	New York Electric Co., invoice, May 10										
	Wire, Conduit, Cut Outs, and Switches					175 00					
" 20	C. C. Evans, statement, May 15										
	Labor	75 00	75 00								
	Cartage	2 75							2 75		
	Incidentals	9 75								9 75	
" 31	Sawyer-Man Electric Co., invoice, May 25										
	200 Sockets and Inc. Lamps	70 00									
	2 Arc Lamps	40 00			110 00						
" 31	Electric Supply Co., invoice, May 12										
	1 Switch Board and Instruments					115 00					
" 31	*Steamer "Roland," May 31* (red ink)										
	Scrap Wire returned										*27 50* (red ink)
" 31	C. C. Evans, statement, May 31										
	Labor	80 00	80 00								
	Incidentals	11 50								11 50	
			155 00		110 00	940 00			2 75	21 25	*27 50*
	Credits (red ink)					*27 50*	(red ink)				(red ink)
			155 00		110 00	912 50			2 75	21 25	

RECAPITULATION

Contract		$1800.00
Cost		
Labor	155.00	
Lamps	110.00	
Dynamo and Wiring	912.50	
Cartage	2.75	
Incidentals	21.25	
Total		1201.50
Net Profit		$598.50

Construction Book

All credits (such as for unused material returned or resold) should be written in red ink and their totals entered in the credit column until the contract is completed, when the amounts should be deducted from their respective columns.

205. The Contract Book contains a record of all contracts. Under the name of the contract is given the location, the name of the party who is to pay for the contract, a synopsis of the principal features therein, the terms, and the amount.

From this book the amount of each contract is posted to the credit of its Construction account, and the sum of the contracts received each month is posted to the debit of Contract account.

Contract Book

April, 1901.

Date Billed	Ledger Page	22	Amount	Total
1901 June 3		CONTRACT No. 176 DATE, April 20, 1901. CONTRACT NAME Steamer "Roland" (Installation). TOWN, Chicago, Ill. CONTRACT FOR 200 Lt. Electric Lighting Plant. FOR Wright Transportation Co. TERMS, $900 payable May 15, balance when plant is started. DESCRIPTION, 1 200 Lt. Dynamo, 1 Rheostat, 1 Iron Base, 1 Switch Board and Instruments, 200 Sockets and Inc. Lamps, 2 Arc Lamps, Including material and wiring,		
	75	CONTRACT AMOUNT		1800 00
		CONTRACT No. 177. DATE 19 CONTRACT NAME TOWN CONTRACT FOR FOR TERMS, DESCRIPTION, CONTRACT AMOUNT		
		CONTRACT % DEBIT		

206. The Contract Sales Book contains a record of the bill for each contract. When a contract is about completed, an entry is made in this book, giving the name of the party that is to pay for the contract, the terms, the items in the contract, and the amount. An exact

copy of the bill which appears in this book is then sent to the proper person. The book is posted the same as the Sales Book, except that its total is posted at the end of the month to the credit of Contract account, instead of to Sales account.

Contract Sales Book

June, 1901.

		3					
125		WRIGHT TRANSPORTATION CO.,					
		Chicago, Ill.					
		Contract No. 176.					
		For a 200 Lt. Electric Lighting plant installed on the steamer "Roland."					
		Consisting of:					
		1	200 Lt. Dynamo,				
		1	Rheostat,				
		1	Iron Base,				
		1	Switch Board and Instruments,				
		200	Sockets and Inc. Lamps,				
		2	Arc Lamps,				
		Including material and wiring as per contract,				1800	00
		Terms, $900 payable May 15, balance when plant is started.					

SET III. EXERCISES

General Instructions. — Books required: Deposit Book, Check Book, Bill Book, Construction Book, Cash Book, Journal, Contract Book, Contract Sales Book, Ledger.

The student may rule his own Construction Book, Contract Book, and Contract Sales Book according to the specimen pages. (See pages 133, 134, and above.) The Construction Book will require about four pages, and the Contract Book and Contract Sales Book each two pages.

Representative accounts used: Bills Payable, Bills Receivable, Cash, Commission, Contract, Entertainment, Expense, Furniture and Fixtures, Interest and Discount, Loss and Gain, Machinery, Michigan Flats Construction, Palace Hotel Construction, Rent, Salary, Stationery, Tools.

The name of the firm is C. H. Smith & Co. The partners are C. H. Smith and George A. Day. C. H. Smith is to be the manager and receive a salary of $300 a month. George A. Day is to receive a salary of $150 a month and 6% interest per annum on his net investment.

The net profit or loss is to be divided as follows: C. H. Smith is to receive 40%, and George A. Day 60%.

Manager's Instructions to his Bookkeeper

Chicago, March 1, 19.... — "As shown by the contract, we partners invest as follows: C. H. Smith invests cash, $5000, and machinery (per inventory), $5000. George A. Day invests cash, $5000, and two promissory notes indorsed by him to this firm, as follows: Note, $2500, signed by D. A. Jones & Co., Boston, dated January 5 of last year, at 14 months, payable at the Boston Bank. Note, $2500, signed by G. D. Wait & Co., Chicago, dated January 5 of last year, at 18 months, payable at the Sixth National Bank.

"Deposit to-day $10,000.

"Write out a check for $100 to the order of currency for the cash drawer.

"Give to C. M. Frost, our city man, a check for $150 for expenses.

"Send a check for $75 to Wyckoff, Seaman & Co. to apply on account.

"Enter this contract received from the Golden Gate Electric Light Co., San Francisco, Cal., to install in the Palace Hotel, San Francisco, a complete steam plant consisting of

Two 200 Horse Power Engines,	One Pump,	One Heater,
Four 100 Horse Power Boilers,	One Injector,	

and piping, all set up complete, and started, for the sum of $20,000.

"Terms, $5000 when engines are delivered, and the balance subject to a sight draft 15 days after plant is started."

March 5. — "We received a letter from D. A. Jones & Co., asking us to favor them by renewing $1500 of their note due March 5. They inclosed this check for $1000 and note for $1500, dated March 5, at 3 months, with interest at 7%, payable at the Sixth National Bank. Our firm has considered the matter and decided to favor D. A. Jones & Co. Make the proper entries and return the old note to D. A. Jones & Co.

"Give me G. D. Wait & Co.'s note, and I will have it discounted.

"The United States Engine Co. promised to ship the engines for the hotel in San Francisco in two weeks, and it will take as much longer for them to reach San Francisco. As soon as we receive notice of shipment we shall send our erecting man,[1] John Henry, to San Francisco, with the drawings, so that he can have the foundation ready when the machinery arrives.

"C. G. Ware & Co. have discounted G. D. Wait & Co.'s note, charging us 7% discount. This check for $2441.67 is the proceeds of the note.

"Deposit the checks which are in the safe." ($3441.67.)

March 15. — "Have this list of tools packed and ready for shipment, and give the teamster a letter to the Engineers' Supply Co., requesting that these tools be shipped in the same car with our order number six for San Francisco: —

1 Pipe Cutter	$90.00	
1 Stone Jack	55.00	
6 Common Jacks	36.00	
12 Pairs Pipe Tongs	28.00	
2 Pairs Chain Tongs	24.00	
12 Wooden Pulleys	12.00	
500 lb. 1" Manila Rope	75.00	
1 Crab	60.00	
2 Chain Blocks	70.00	
2 Crowbars	8.00	
2 Sledges	11.00	
1 Saw	1.00	$470.00

"Do not fail to make a charge for these tools."

March 17. — "To-day I shall require $75. If you have this amount in the drawer, I will take it.

"Give this man $1.50 for carting the tools over to the Engineers' Supply Co.

"Here is the invoice and bill of lading for the engines from the United States Engine Co. You will see from the bill of lading that the engines are on cars #3142 of the A. T. & S. F. R.R. and #1430 of the N. P. R.R. Make a memorandum of the numbers and in ten days have the United States Engine Co. trace them.

"Go out and buy a first-class ticket via the Northern Pacific R.R. for San Francisco, as

[1] An erecting man is one whose duty it is to superintend the erection of engines, boilers, and other machinery.

Mr. Henry prefers that route. Also secure a berth for him. I think about $85 will cover the cost. Give Mr. Henry the ticket and $100 in currency. Draw the check for $185, and I will sign it at once.

"Go to our bank (Students' National Bank) and purchase a San Francisco bank draft for $1000 in our name, and charge it to John Henry. Ask the cashier of the bank to give Mr. Henry a letter of introduction to their San Francisco correspondent, and we shall have him open an account there while the construction is going on. Be sure to explain to Mr. Henry before he goes exactly how we want his reports made out, and how frequently they are to be submitted. Make your explanation clear and simple; remember that he is an engineer, not a bookkeeper. Impress upon him that we require a receipt or voucher for every dollar he expends, and that we shall hold him responsible if he fails to get it."

March 21. — "How much currency did you give me Saturday? You say $75? Let me see the receipt. What! You did not have me sign a receipt? Hereafter never give money to any one out of the cash drawer without taking a receipt. It does not matter whether he is a partner or not, always ask for a receipt, so that there will be no reflection upon yourself should there be any dispute. This particular transaction places you in a very embarrassing position, because on returning home Saturday I counted the money and found that you had given me only $60. Does the cash balance? Yes? Then I shall have to be the loser, as I failed to count the money when you gave it to me.

March 31. — "G. A. Day wishes a check for $200, and I wish one for $75.

"If you will now write out a check for the necessary amount ($183) to pay the office help, I will sign it, as I shall not be here again to-day. (Stenographer, $65 a month; errand boy, $18; bookkeeper, $100.)

"Enter this contract from A. Breese & Co., Chicago, to install in the Michigan Flats, one 50 Horse Power Engine, one 500 Light Dynamo; we to build the foundation and do the piping to connect the engine with their present boilers and heaters, and also to connect the wires from the dynamo to the switchboard; all for the sum of $3500. Terms, $1000 when engine is delivered, $1000 when dynamo is delivered, and the balance thirty days after plant is started.

"Before bidding on this contract, we had an estimate from the Dynamic Construction Co. to furnish and install the dynamo and the necessary wiring for $1100. And we had a bid from Abraham Small to do all the piping for $325. We shall place both of these orders at once, and make a contract with Hiram Abiff to build the foundation for $150. As to the engine, we shall use one of those 50 H. P. we have in stock.

"Here is Mr. Henry's statement. Give him credit for it."

		San Francisco, March 24, 19—.	
March 17.	R.R. Ticket	$85.00	
17.	Cash	100.00	
17.	Bank draft	1000.00	$1185.00
	Credit		
March 24.	Wm. Adams & Co. on acct.	400.00	
24.	Labor to date	137.00	
24.	Incidentals	15.00	
24.	Hotel Bills	20.00	
24.	R.R. Ticket	85.00	657.00
	Balance on hand		$528.00
For the Palace Hotel			

"Here is a telegram from Mr. Henry, saying that the engines have arrived, but that he has not enough money to pay the freight, $800. Write out a check to the order of the

Atchison, Topeka & Santa Fé R.R. Co., have it certified, and go to the general freight office with the check and the bill of lading and ask them to accept payment here, and wire their San Francisco agent to deliver the engines. Charge this $800 to the United States Engine Co., as their price was f.o.b. cars San Francisco.

"Mr. Henry writes that he has vouchers for all the items in his statement and that he will turn them in with his Deposit Book and canceled checks when he has finished the work. He has sublet the contract for the foundation and masonry to Wm. Adams & Co. for $2200 and has paid them $400 on account. We will send a bank draft for the balance when he notifies us that the work is completed.

"Have the Construction Book written up to date."

NOTE. — Make entries for the partners' salaries and the invoices received during the month. Take off a trial balance.

Invoices received during the Month

CHICAGO, March 1, 19....

C. H. SMITH & Co., City,

Bought of WYCKOFF, SEAMAN & Co.

1 #2 Remington typewriter #-------, $100.00

CHICAGO, March 1, 19....

C. H. SMITH & Co., City,

In account with CHICAGO TELEPHONE Co.

Rent of telephone #-------, from March 1 to June 1, 19...., $37.50

CHICAGO, March 2, 19....

C. H. SMITH & Co., City,

Order No. 2 Bought of C. H. ODELL & Co.

3 Curtain Top Desks,	@ $25.00	$75.00	
3 Armchairs,	@ 5.00	15.00	
1 Bookkeeper's Desk,		12.00	
1 Stool,		5.00	
1 Letter File,		7.50	
5 Common Chairs,		10.00	
1 Letter-press,		4.00	$128.50

CHICAGO, March 1, 19....

C. H. SMITH & Co., City,

To C. H. SWEET & Co. *Dr.*

Rent of office room No. --- for the month of March, $50.00

CHICAGO, March 31, 19....

C. H. SMITH & Co., City,

Bought of CHICAGO STATIONERY Co.

1000 Letter heads,	$8.50	
1000 Envelopes,	5.00	
1 box Pens,	.85	
1 set of Books,	12.00	
500 Billheads,	4.00	$30.35

ERIE, PA., March 15, 19....

C. H. SMITH & Co., Chicago,

Bought of THE UNITED STATES ENGINE Co.

2 200 H. P. Engines, #177, #178, @ $2600 $5200

f.o.b. cars San Francisco.

Shipped to the Palace Hotel, San Francisco.

CHICAGO, March 2, 19....

C. H. SMITH & Co., City,
Order No. 1 Bought of ORR & SMITH

1 Pipe Cutter,	$ 90.00	
1 Stone Jack,	55.00	
6 Common Jacks,	36.00	
12 pairs Pipe Tongs,	28.00	
2 Pairs Chain Tongs	24.00	
12 Wooden Pulleys,	12.00	
500 lb. 1″ Manila Rope,	75.00	$ 320.00

CHICAGO, March 2, 19....

C. H. SMITH & Co., City,
Bought of ORR & SMITH

1 Crab,	$ 60.00	
2 Chain Blocks,	70.00	
2 Crowbars,	8.00	
2 Sledges,	11.00	
1 Saw,	1.00	
5 Alcohol Lamps,	5.00	
5 Pickaxes,	12.50	$ 167.50

Manager's Instructions to his Bookkeeper

April 2. — "Here is the invoice (see page 143) of the Chicago Steel Boiler Co. and the bill of lading of the cars on which the boilers were shipped. We were to have 60 days on this account, but they seem to need money and offer us 5% discount if we will pay cash inside of ten days. What is the balance in bank? Very well, we have not money sufficient to spare in order to take advantage of their offer. Draw a sight draft on the Golden Gate Electric Light Co. for $ 5000 which is now due, as the engines have been delivered. Draw through our bank, and I will present the draft to the bank and see if they will discount it.

"Do not fail to pay the Telephone Company to-day. Send them a check.

"This is C. M. Frost's statement for the month of March."

CHICAGO, March 31, 19....

March 1. Check on account,	$ 150.00	
CR.		
March 31. Entertainment expenses per vouchers,		63.00
Balance on hand		87.00
	$ 150.00	$ 150.00

"Mr. Frost began work March 1, and his salary is $ 125 a month, and John Henry began work March 15, at a salary of $ 75 a month.

"The bank would not discount our draft drawn on the Golden Gate Electric Light Co., and I left it for collection, with instruction to wire payment or non-payment. If it is paid, the bank will allow us to draw against it. We should hear from it in five days, which will enable us to take advantage of the offer of the Chicago Steel Boiler Co.

"Here is the invoice of the Engineers' Supply Co. (See page 142.) These goods were purchased on 30 days' time, but they ask us to give them a note for the amount, and I have agreed that if they will extend the time to 90 days, we will give them our note without interest. I expect to hear from them in a few days."

April 5. — "The Engineers' Supply Co. accepts our offer. Make out a 90-day note for $1615, dating it the day of the invoice, March 21, and have it payable at our office. I want to send it to-day.

"Let me have D. A. Jones & Co.'s note. I will write to the United States Engine Co. to-day and inclose the note to apply on our account. Make the entry. Note, $1500; interest, $26.25."

April 11. — "The bank notifies us that the Golden Gate Electric Light Co. has paid the draft. You may now write out a check to the Chicago Steel Boiler Co. for $2400, less 5% discount. When you go to the bank, see that we are given credit on our Deposit Book for the amount of the draft, $5000, less ¼% exchange ($12.50) for collection.

"What do we owe C. H. Odell & Co.? Send them a check for $28.50 and a 30 day note for the balance. If you will write out the check and note now I will sign them, as I shall go out presently and not return to-day. Write to C. H. Odell & Co. and inclose the check and note.

"Do not forget to send a check for the gas bill, $3.50." (Chicago Gas Light & Coke Co.)

April 14. — "Write out a check for $85 in favor of Mrs. C. H. Smith and charge it to me. She will be in about 11 o'clock, but as I shall not be here you may give her the check.

"Make the entry for the credits on Mr. Henry's statement."

San Francisco, April 9, 19....

March 24.	Balance on hand,		$528.00
	Cr.		
April 9.	Hotel bill to date,	$20.00	
9.	Incidentals,	8.50	
9.	Cartage on engines,	125.00	
9.	Labor to date,	235.00	388.50
	Balance on hand,		$139.50

"We have delivered to the Michigan Flats to-day, from stock, one 50 H. P. engine, #87, inventoried at $1050. Charge it, at that price, to the Michigan Flats Construction account."

April 18. — "Enter this check for $1000 of A. Breese & Co. It is to apply on the contract.

"Pay this man, F. H. Pennoyer, $4 for cartage on engine to the Michigan Flats. Give him a check.

"Deposit the check received of A. Breese & Co."

April 25. — "This bill for $18.10 from the United States Engine Co. is for the discount (61 days at 7%) on D. A. Jones & Co.'s note, which we indorsed to them a while ago. Give them credit for this amount.

"We have sold a 250 H. P. engine to Wm. Heim, St. Louis, Mo., for account of the United States Engine Co., for $3100. This engine is to be shipped and billed to Wm. Heim by the United States Engine Co., and our commission, $465, is to be charged to them. We have nothing further to do with it. Make out our bill for the commission, charging the United States Engine Co. with the same, and send it with the order."

April 28. — "Send Mrs. C. M. Frost a check for $75.

"Write me a check for $75.

"Mr. Henry has just returned from San Francisco. Here is his final statement." (See next page.)

San Francisco, April 23, 19....

April 9.	Balance on hand,		$139.50
15.	Golden Gate E. Lt. Co. on acct.,		2000.00
			$2139.50
	Cr.		
April 15.	Freight on boilers,	$1100.00	
9.	Freight on supplies, etc.,	450.00	
11.	Cartage on above,	80.00	
23.	Labor to date,	230.00	
23.	Hotel bill to date,	35.00	
23.	R.R. fare on return,	65.00	
23.	John Henry (personal),	65.00	2025.00
	Balance on hand,		$114.50

"The statement from the San Francisco Bank shows that there is $79.50 to our credit. Draw a sight draft on them for the amount to the order of our bank, and have it deposited to our credit when you go to the bank.

"Enter this bill which Mr. Henry received from Wm. Adams & Co."

San Francisco, April 5, 19....

C. H. Smith & Co.,
Chicago.

To Wm. Adams & Co., *Dr.*

Building engine foundation complete in the Palace Hotel, according to contract,		$2200.00
	Cr.	
March 24.	Check on account,	400.00
	Balance due,	$1800.00

"Mr. Henry promised Wm. Adams & Co. a check for the balance as soon as he arrived here. To save exchange I will send them an order on the Golden Gate Electric Light Co. for the amount. (Do not make any entry until the Golden Gate Electric Light Co. notifies us.)"

April 30. — "Make out the bill for the Golden Gate Electric Light Co.'s contract, and about May 5 you may draw a sight draft on them for the balance.

"Mail a check for $100 to C. H. Sweet & Co., office rent for March and April.

"Send the bill for A. Breese & Co.'s contract.

"This is C. M. Frost's statement for the month of April."

Chicago, April 30, 19....

March 31.	Balance on hand,	$87.00	
April 9.	Check,	100.00	$187.00
	Cr.		
April 20.	Labor for erecting and starting engine in the Michigan Flats,	$60.00	
30.	Entertainment expenses as shown by vouchers,	88.50	148.50
	Balance on hand,		$38.50

"You say that Mr. Frost's statement reads, April 9, check $100, and that there is no such stub on the Check Book? I recollect the circumstance. Having met Mr. Frost up town that day, he told me he had not money sufficient to pay for labor at the Michigan Flats, so I stepped into an office and made him out a check for $100, but failed to tell you. It is all right, make a stub of it, charging him with same.[1]

"This is a memorandum of the tools that Mr. Henry shipped to Chicago. Let the errand boy check them before you credit the Construction account."

SAN FRANCISCO, April 23, 19....

Returned from the Palace Hotel: —

1	Pipe Cutter	$90.00	
4	Common Jacks	24.00	
12	pairs Pipe Tongs	28.00	
2	pairs Chain Tongs	24.00	
10	Wooden Pulleys	10.00	
500	lb. Manila Rope	75.00	
1	Crab	60.00	
2	Chain Blocks	70.00	
1	Crowbar	4.00	
2	Sledges	11.00	$396.00

"Write out a check for $183 to pay the office help.

"Show me the Construction Book and the memorandum of the tools returned. I see there are tools missing. When Mr. Henry calls again inform him that according to his memorandum and the Construction Book there are several tools missing, and that you wish to know what has become of them.

"I have seen Mr. Henry myself, and he said that the day he left San Francisco he sold the stone jack for $75 to the Golden Gate Electric Light Co., but the other tools must have been stolen, as he could not find them. Charge the Golden Gate Electric Light Co. with the stone jack, and mail them a bill for it.

"Have the Construction Book written up to date and rule it off.

"Leave the Deposit Book at the bank to be balanced."

NOTE. — Make the entries for the invoices, salaries, etc. Take off a trial balance.

"Close the books and let me have the statements in a few days." (See inventories, page 143.)

Invoices received during the Month

CHICAGO, April 14, 19....

C. H. SMITH & Co., City.

Bought of HIRAM ABIFF.

Building engine foundation in the Michigan Flats as per contract, $150.00

CHICAGO, March 21, 19....

C. H. SMITH & Co., City.

Bought of ENGINEERS' SUPPLY Co.

1	400 H. P. Heater,	$800.00	
1	6 × 4 × 6 Duplex Steam Pump,	225.00	
1	#10 Injector,	45.00	
1	lot of Cut Pipe and Fittings,	455.00	
1	lot of Pipe Covering,	90.00	$1615.00

Shipped to the Palace Hotel,
San Francisco.

[1] The student should fill in the check when writing the stub and place it with the others in his envelope.

CHICAGO, April 20, 19....

C. H. SMITH & Co., City.

Bought of DYNAMIC CONSTRUCTION Co.

1 500 Lt. Dynamo,
1 Rheostat,
1 Iron Base and wiring the Michigan Flats as per contract, $1100.00

CHICAGO, April 16, 19....

C. H. SMITH & Co., City.

Bought of ABRAHAM SMALL.

Piping the Michigan Flats as per contract, $325.00

CHICAGO, March 31, 19....

C. H. SMITH & Co., City.

Bought of CHICAGO STEEL BOILER Co.

4 100 H. P. Boilers @ $600.00 $2400.00

Shipped to San Francisco.

CHICAGO, April 2, 19....

C. H. SMITH & Co.,

To THE CHICAGO GAS LT. & COKE Co., *Dr.*

For gas consumed from March 2 to April 2, 19....

Index at this reading, 3530
Index at last reading, 00

To consumption of 3530 cubic feet gas @ $1.10 per M., $3.88
Less 10% if paid on or before April 12, .38
$3.50

CHICAGO GAS LT. & COKE Co.
J. B. WELLS, *Collector.*

Paid April 12, 19....

Inventories

Machinery	$3700.00
Furniture and Fixtures	225.00
Tools	350.00

Monthly Bank Statement

20 *Vouchers Returned.*

C. H. SMITH & CO.

In Account Current with the STUDENTS' NATIONAL BANK of Chicago.

Checks	Checks	Checks	Checks	Checks	19....		Deposits
100 00	4 00	100 00			March	1	10000 00
150 00	75 00	183 00	5643 50			5	3441 67
75 00	75 00	*Balance*	*13865 17*	(red ink)	April	11	4987 50
185 00	200 00		19508 67			18	1000 00
1000 00	75 00					28	79 50
4 00	183 00						19508 67
2280 00	800 00						
3 50	37 50						
85 00	28 50						

Debit Memorandum

Students' National Bank

Debit *Chicago, March 17, 19...*

C. H. SMITH & CO.

Exchange on San Francisco draft		4.00

NOTE. — Copies of the above ticket may be made and distributed to the students with the returned checks.

April 30, check # 18, — $100, still out.

QUESTIONS FOR DISCUSSION

1. At time of closing the books, in the contracting business, what accounts must remain open until a late date before they can be transferred into Loss and Gain account? 2. Mention several kinds of contracting businesses in which the Sales Book is necessary. 3. A coal dealer makes contracts with several customers to furnish a certain amount of coal to them at a specified rate. Would such contracts be treated the same as those in the business of a contractor who constructs buildings, railroads, etc.? If not, how would you note the contracts on the Ledger of the coal dealer? 4. A gives B an order for five cars, $10,000, to be delivered when called for, not later than six months from date. B immediately demands of A an advance of 10% of the value of the cars, which A pays. How should the transaction be recorded on the books of A and B respectively, and when should the invoice be rendered?

SECTION IV. CORPORATIONS

207. A Corporation is a company of persons recognized by law as an individual.

208. Organization. — In forming a corporation, the following steps are taken: —

1. An application for a license to incorporate, signed by three or more persons called Commissioners, is forwarded to the Secretary of State. Legal advice is necessary in regard to this matter.

2. Upon receipt of the license, a subscription list is arranged thus: —

We, the undersigned, hereby severally subscribe for the number of shares set opposite our respective names to the Capital Stock of the ..... Company, and we severally agree to pay the said company for each share the sum of ..... dollars, on such terms and conditions as may be determined by the Board of Directors of said company.

	NAMES	SHARES	AMOUNT
	C. G. White,	300	$ 30000 00
	John F. Andrews,	150	15000 00
	A. B. White,	49	4900 00
	W. H. Pierce,	1	100 00
		500	$ 50000 00

3. After the expiration of at least ten days from date of license, the subscription list is forwarded to the Secretary of State, who issues the charter which completes the organization of the company.

NOTE. — The laws of the different states in regard to corporations vary greatly; and the organization of a corporation requires a very thorough knowledge of the statutes of the state in which the organization is effected. It is essential that all legal requirements should be fully met before there is any attempt to begin business.

209. The Charter is a document detailing the organization and purpose of the corporation, as follows: the name of the corporation, the amount of authorized capital stock, par value per share, names of the original stockholders, the line of business to be pursued, etc.

In most states the charter must be recorded in the office of the County Recorder; failing to do so, a company is not recognized in court when filing a suit.

210. A Share is a fractional part of the capital stock of a corporation.

211. A Stockholder is a person who owns one or more shares in a corporation.

212. A corporation is managed by a Board of Directors, which acts through the officers. The officers are usually the President, Vice President, Secretary, and Treasurer.

213. A corporation is governed by its charter and by-laws. In case of failure to adhere to them it is liable to litigation, through the dissatisfaction of one or more stockholders. Such action is likely to result in the appointment of a receiver or in the surrender of the charter.

CORPORATION ACCOUNTS

214. The accounts required in a corporation set of books are the same as those in a partnership set, with the addition of the following, and possibly a few others: Capital Stock, Subscription, Treasury Stock, Trustee, Surplus, Dividend, Stock Dividend, Sinking Fund, Bond Payable, Interest Payable.

215. The Capital Stock Account shows the amount of stock authorized by the Secretary of State. This is the first account to be credited, and its amount should be neither increased nor decreased unless the change is authorized by the Secretary of State.

216. The Subscription Account is debited with the authorized amount of capital stock, and is credited as the stock is charged, or paid in, according to the subscription list filed with the Secretary of State.

217. The Treasury Stock Account is debited with the unsold stock of a corporation. When the unsold stock is placed in trust with some responsible person, called a Trustee, the Treasury Stock account is credited and the Trustee's account is debited.

218. The Trustee Account. The trustee who holds the unsold stock in trust to be sold is charged with it; and he is credited with it when it is sold.

219. The Surplus Account receives the balance of Loss and Gain account at each period of closing the books. The debit side receives the net loss, and the credit side the net gain. There is no transfer made from this account until there is a surplus from which a dividend or a stock dividend is declared. The amount decided upon to be divided should be transferred (by Journal entry) from this account to Dividend account or Stock Dividend account, as the Directors may determine.

220. The Dividend Account shows the amount, transferred from Surplus account, which is to be paid to the different stockholders in currency or by check. The account is credited with the amount taken from Surplus account, and it is debited from the Cash Book when the money is disbursed. The account balances when all stockholders have received their dividends. This routine is observed every time a dividend is declared. Every dividend declared is numbered.

221. The Stock Dividend Account shows the amount transferred from Surplus account to be paid to the stockholders by issuing stock to them. Permission to increase the capital stock must be secured from the Secretary of State. Capital Stock account is credited and Treasury Stock account is debited with the increase. As the stock of the dividend is issued to the stockholders, Stock Dividend account is debited and Treasury Stock is credited.

222. Sinking Fund Account contains a record of a reserve fund which may be used for various purposes, but which is usually employed for the liquidation or reduction of a corporation's debt. The balance usually represents cash deposited in a special bank. When deposits are made Sinking Fund account is debited and Cash credited.

223. The Bond Payable Account is opened when a corporation places a mortgage on its real estate or other property by issuing bonds. When a bond is sold, the account is credited from the Cash Book, and when a bond is paid, the account is debited.

224. The Interest Payable Account is debited with all interest paid on bonds.

Stockholders' Books

225. The corporation books which pertain to the stockholders are: Minute Book, Stock Certificate Book, Stock Register, Transfer Record, Dividend Book, Stockholders' Ledger.

226. The Minute Book contains the license, charter, by-laws, and the record of the minutes of all the meetings held by the corporation.

227. The Stock Certificate Book contains the blank certificates. From the stubs the Stock Register is written up.

Stock Certificate Book

Certificate
No. 3.
For 25 Shares
Issued to
C. G. White,
Chicago.
Dated June 1, 1901.
From whom transferred[1]

Dated ..... 19 ....

No. Original Certificate	No. Original Shares	No. of Shares Transferred

Received Certificate No. 3
for 25 Shares
this 1st day of June, 1901.
C. G. White.

Incorporated under the Laws of the State of Illinois.

No. 3. *Shares 25.*

C. G. WHITE FURNITURE CO.

Capital Stock $50,000.00.

This Certifies that C. G. White is the owner of 25 shares of One Hundred Dollars each of the Capital Stock of C. G. White Furniture Company, fully paid and non-assessable, transferable only on the books of the Corporation by the holder hereof in person or by Attorney, upon surrender of this Certificate properly indorsed.

SEAL

In witness whereof, the said Corporation has caused this Certificate to be signed by its duly authorized officers and to be sealed with the seal of the Corporation at Chicago, Illinois, this first day of June, A.D. 1901.

W. K. Pierce, *Secretary.*
C. G. White, *President.*

SHARES $100 EACH.

[1] This part of the stub is filled in when the issued certificate is the reissue of a transfer.

The following is the blank form on the back of Certificate of Stock: —

FOR VALUE RECEIVED _____ hereby sell, assign, and transfer unto

_____

Shares of the Capital Stock represented by the within Certificate, and do hereby irrevocably constitute and appoint

_____ Attorney,

to transfer the said Stock on the books of the within named Corporation, with full power of substitution in the premises.

Dated _____, 19__

In presence of

_____ _____

NOTICE. — The signature of this assignment must correspond with the name as written upon the face of the certificate, in every particular, without alteration or enlargement, or any change whatever.

NOTES. — 1. Never issue the original stock certificates until after the charter has been received and recorded, for a company is not a corporation until it receives its charter.

2. Always, before canceling a certificate, see that the one or more in its place have been reissued. When a certificate transfers only part of the shares mentioned therein, new certificates must be issued for both persons concerned.

3. When a stock certificate is issued for fully paid-up stock, it should contain on its face the words "fully paid and non-assessable." If these words are omitted on a certificate, it is supposed to be understood that the stock is not fully paid, and consequently is assessable.

4. In issuing certificates do not destroy any on account of an error, but mark the erroneous certificate "Void," and let it remain attached to the stub, or file it with the canceled certificates.

228. The Stock Register contains a record of all the stock certificates issued and canceled. This register is divided into three sections, as follows: —

1. *Register of Original Stock Certificates Issued.* — In this section are recorded only the stock certificates which are issued for the subscription to the original capital stock or for any increase of capital stock thereafter.

The record on these pages shows who are the original stockholders, and whether certificates have been issued for the full amount of the capital stock. The latter is ascertained by footing the column called "Shares in each certificate" and comparing its total with the number of shares authorized by the charter, plus the number of shares for the increase of capital stock (if any) according to the certificate of increase.

Register of Original Stock Certificates Issued

BY THE C. G. WHITE FURNITURE CO.

Date			Stockholder's Name	Address	Stock Ledger Folio	No. of Certificate	Shares in each Certificate	Check	Share Numbers Inclusive[1]	
Month	Day	Year							From	To
June	1	1901	C. G. White,	Chicago,	1	1	225			
"	1	1901	C. G. White,	"	1	2	50			
"	1	1901	C. G. White,	"	1	3	25			

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[1] This column is used only in states where the old common law method of shares and capital stock still exists. The old common law required that the shares be numbered in numerical order, to wit: 1000 shares numbered from 1 to 1000 inclusive, each share taking and keeping a fixed number; the object being to make it possible to trace the certificates (if any) whose par value has not been fully paid in.

2. *Register of Stock Certificates Reissued.* — In this part of the register are recorded the stock certificates reissued, beginning with the first reissue of an original stock certificate. It includes only left-hand pages of the Stock Register.

Register of Stock Certificates Reissued

(Left-hand page)

Date of Reissue			To Whom Certificate is Reissued	Stock Ledger Folio	Number of Certificate	Shares in each Certificate	Share Numbers Inclusive[1]		Signature of Person or "Memo." of Attorney asking that Transfer be Made
Month	Day	Year					From	To	
July	6	1901	George P. Black,	5	11	10			C. G. White.
"	6	1901	C. G. White,	1	12	15			

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3. *Register of Stock Certificates Surrendered and Canceled.* — In this section is recorded the cancellation of stock for reissue. It embraces the right-hand (credit) pages facing the Register of Stock Certificates Reissued.

And of Stock Certificates Surrendered and Canceled

(Right-hand page)

☞ Never cancel a certificate until one or more in its place have been reissued.

No. of Transfer	Date of Certificate			To Whom Certificate now canceled was Issued	Stock Ledger Folio	No. of Certificate	Shares in Each Certificate	Check	Share Nos. Inclusive[1]	
	Month	Day	Year						From	To
2	June	1	1901	C. G. White	1	3	25			

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229. The Transfer Record is in the form of authorizations for transferring stock. These are filled in and signed whenever certificates of stock are surrendered for cancellation and reissue.

Transfer Record of the C. G. White Furniture Co.

Surrendered			Reissued	
No. of Certificate	No. of Shares		No. of Certificate	No. of Shares
3	25	Transfer No. 2 entered on Stock Register page 1. For value received I hereby surrender to the C. G. White Furniture Co. certificate No. 3 for 25 shares of the capital stock of the aforesaid corporation, and I hereby authorize the cancellation of said certificate and the issue of new certificates therefor to the following persons: Geo. P. Black, 10 shares, C. G. White (myself), 15 shares. Signed, C. G. WHITE. [SEAL] Date, July 6, 1901.	11 12	10 15

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[1] See footnote on preceding page.

230. The Dividend Book contains a record of all the dividends declared by the corporation.

Dividend Book (Left-hand Page)

Dividend No.___of___per cent or $_____per share, declared_____19___, at Meeting

No. Certificate	Name	Address	Number of Shares	Amount of Stock	Amount Dividend per Share

Dividend Book (Right-hand Page)

of the_____Total Dividend,_____Dollars.

No. of Dividend Check	Amount Dividend Paid	Date of Payment	Received the Amount of Dividend set opposite my Name on the Date thereon Written	Stockholder's Address	How Receipted for when not in Person

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231. The Stockholders' Ledger is frequently divided into two divisions, viz. Original Stockholders' Ledger and Reissue Stockholders' Ledger.

1. The Original Stockholders' Ledger contains only the accounts of the stockholders who subscribed for the capital stock or for any increase of capital stock. The entries for this ledger are obtained from the Register of Original Stock Certificates Issued, the General Ledger, the Transfer Record, and sometimes the Reissue Register (see illustration, page 148).

Original Stockholders' Ledger

C. G. WHITE

When Issued or When Paid 1901		No. Certificate		Page Reg.	No. of Shares of Stock	Debits	Credits	Credits[1]	Date of Transfer 1901		No. in Transfer Record	Surrendered Certificate	
		Original	Reissue			Par Value of Stock	Amt. paid in Cash., Mdse., or Notes	Amount in Dividends	Month	Day		No.	No. of Shares
June	1	1		1	225	22500 00	22500 00		July	6	2	3	25
"	1	2		1	50	5000 00	5000 00						
"	1	3		1	25	2500 00	2500 00						
July	6		12	2	15								

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[1] This column is used when a stockholder allows his dividends to apply in part payment of his stock.

2. The Reissue Stockholders' Ledger contains the accounts of the shareholders who have become stockholders by transfer. The entries for this ledger are obtained from the Register of Stock Certificates Reissued and of Stock Certificates Surrendered and Canceled, and the Transfer Record.

Reissue Stockholders' Ledger

GEORGE P. BLACK

When Issued 1901		No. of Certificates Old	No. of Certificates New	From Whom Received Initials Only	Page S. R.	No. of Shares	Balance Shares	When Canceled	No. of Certificates Old	No. of Certificates New	Transferred to Initials Only	Page T. R.	No. of Shares
July	6	3	11	C. G. White	2	10							

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NOTE. — The forms given above have been approved by the Listing Committees of the Associated Stock Exchanges of the United States, and are good in any state or territory (except in those states whose statute laws prescribe a form for special purposes).

232. In canceling a certificate on the books of a corporation the following method should be observed: —

1. When a stockholder presents his own certificate to be changed into more certificates for himself, the bookkeeper or secretary should

(1) Issue the new certificates and mark on the stubs the words "In lieu of No....."

(2) Record the certificates in the Reissue Register.

(3) Cancel the old certificate, marking it "Canceled in lieu of Nos.....," and paste it on the edge of its original stub, or file it with the canceled certificates. In the latter case, rule two red lines diagonally through the stub so as to indicate that the corresponding certificate is no longer outstanding.

(4) Record the cancellation in the Stock Register immediately opposite the reissue record just made.

2. When a stockholder presents his certificate for transfer, the bookkeeper or secretary should see that the stockholder has signed his name on the back of the certificate; then he may fill in the power of attorney and proceed to make the transfer on the books as follows: —

(1) Issue new certificates, to equal the shares in the canceled one, in the name of one or more persons.

(2) Record the certificates in the Reissue Register.

(3) Have the original stockholder sign his name in the signature column of the Reissue Register.

(4) Have the original stockholder sign the Transfer Record.

(5) Cancel the certificate by marking in red ink across its face the word "Canceled," the date, and the number of the transfer. Then paste the returned certificate to the edge of its original stub, or file it and rule off the stub.

(6) Record the cancellation in the Register immediately opposite the reissue record just made.

3. When a certificate is presented to the corporation for transfer by the person to whom it is transferred, the assignment and power of attorney on the back of the certificate must

have been properly made out to him; that is, the instrument must have been signed and dated in the presence of another person. The name of this witness should, therefore, be signed under the words "In the presence of."

If the certificate is thus properly indorsed, the bookkeeper or secretary should make the transfer on the books as explained in case 2 above, except that the signature column in the Reissue Register and the Transfer Record must each be signed in the name of the original owner per the transferee as attorney.

233. The Private (General) Ledger. — Large corporations prefer to have all the entries relating to the opening and closing of books, and also all representative accounts, kept in a private set of books. This set may be composed of a Journal, Cash Book, and Ledger. Each book has usually a lock attached to it in order that the financial affairs of the business may be kept strictly secret. These books are placed under the charge of the confidential bookkeeper.

The original entries for this set consist mostly of the footings of the Books of Original Entry in the different departments. The total footings are rendered to the confidential bookkeeper on report tickets which are received daily from the various departments, and from the cashier.

The Different Kinds of Stock

234. Guaranteed Stock is stock on which the stipulated dividend is credited annually. If not earned by the corporation, the dividends are carried over from year to year until earned, and then paid to the stockholders.

235. Preferred Stock is stock on which a fixed dividend is to be paid before any dividends on the Common Stock.

236. Common Stock is stock on which dividends are paid when the net earnings of the company justify the dividends and the Directors choose to declare them.

237. Watered Stock is an expression sometimes used in referring to the stock of corporations which have issued stock in addition to the original amount, and sold it for a nominal consideration to the old stockholders. This is done for various purposes, but generally with the intention of avoiding some state tax or assessment on the percentage of profits, or of concealing from the public the real rate of profit.

Note. — There are other classes of stock, but those named above are the most important.

Corporation Books — How Opened

238. Process of opening a Corporation Set of Books. — From the charter obtain the amount of authorized capital stock, the date of the charter, the date of record, together with the number and page of the book, the names of the subscribers, and the number of shares of each. Then, from the Minute Book, ascertain how each subscriber pays for his stock, by referring to the minutes of the first formal meeting of the Directors.

After the items are obtained, proceed to open the books as follows: —

First. — Make a Journal entry, debiting Subscription account and crediting Capital Stock account with the authorized amount of capital stock, thus: —

Subscription

Capital Stock

Being the amount of authorized capital stock as granted by the Secretary of State of ....., consisting of ..... shares, at $..... a share.

Second. — Make a Journal entry, debiting the original stockholders' Stock accounts and crediting Subscription account with the amounts subscribed, as shown by the charter, thus: —

Sundries	Subscription
..... Stock,	..... shares, @ $.....
..... Stock,	..... shares, @ $.....

As shown by the ..... company's subscription list, filed with the Secretary of State under date of ....., 19...., the charter for said company having been recorded ....., 19...., on page ..... in book ..... of Corporation Records of the County of ....., State of .....

Third. — If there is unsold stock on hand, debit Treasury Stock account and credit Subscription account with the amount, thus: —

Treasury Stock	Subscription
	..... shares at $..... to be sold.

Fourth. — Make entries, crediting each stockholder's Stock account with the payment for stock as given in the minutes of the first formal meeting of the Directors. This may require Journal and Cash Book entries, all depending upon what is given in payment for the stock. When these entries are posted the entries for the current business should follow.

SET IV. — EXERCISES

General Instructions. — Books required: Check Book, Deposit Book, Bill Book, Stock Certificate Book, Stock Register, Dividend Book, Sales Book, Cash Book, Journal, Ledger, Stockholders' Ledger, and 25 Voucher blanks for cash disbursements.

The pupil may rule his own Stock Register, Stockholders' Ledger, and Dividend Book according to the specimen pages, allowing two pages for each book.

The Stock Certificate Book may be omitted, if desired, as the student can write up the Stock Register from the certificate memorandum on page 153.

Representative accounts used: Bills Receivable, Bills Payable, Capital Stock, Cash, Dividend, Expense, Insurance, Interest and Discount, Loss and Gain, Merchandise, Mileage, Office Furniture, Rent, Salary, Sales, Surplus, Subscription, Teaming, Traveling Expense.

The name of the corporation is the C. G. White Furniture Company. The officers are: President and Treasurer, C. G. White; Vice President, J. F. Andrews; Secretary, W. H. Pierce. Board of Directors: C. G. White, J. F. Andrews, A. B. White, W. H. Pierce.

C. G. White, the manager, is to receive a salary of $500 a month, and W. H. Pierce, the secretary $150 a month.

Manager's Instructions to his Bookkeeper

Chicago, June 1, 19.... — "The furniture business of C. G. White & Co. was incorporated May 4, 19..., as the C. G. White Furniture Company, capital stock, $50000, consisting of 500 shares at $100 per share, charter dated May 21, 19..., and recorded May 31, 19..., on page 93 in book number 27 of Corporation Records of the County of Cook, State of Illinois.

"Subscribers are: —

C. G. White,	300 shares	$ 30000.00
John F. Andrews,	150 shares	15000.00
A. B. White,	49 shares	4900.00
W. H. Pierce,	1 share	100.00
	500 shares	$ 50000.00

"As decided at the meeting of the directors held May 31, the subscribers pay for their stock as follows: C. G. White receives 100 shares for $10000 cash, and 200 shares for the resources of the old firm of C. G. White & Co. as follows: —

Merchandise,	(Per inventory)	$ 10000.00
Office Furniture,	(Per inventory)	300.00
People's Furniture Co.,	(Balance)	3500.00
C. T. Wirts Furniture Co.,	(Balance)	2500.00
Mrs. G. B. Black,	(Balance)	500.00
Monroe & Co.,	(Balance)	3200.00
		$ 20000.00

"John F. Andrews receives 100 shares for $10000 cash, and 50 shares for a promissory note, $5000, of F. H. Sherwood & Co., Chicago, in favor of John F. Andrews but indorsed to this company by him; dated May 3, 19..., at 60 days, payable at the Third National Bank. A. B. White receives 49 shares for $4900 cash. W. H. Pierce receives 1 share for $100 cash.

"This is the memorandum showing how the certificates are to be filled out. Date them June 1, 19...."

C. G. White, 1 certificate for 225 shares, 1 certificate for 50 shares, 1 certificate for 25 shares.

John F. Andrews, 1 certificate for 125 shares, 1 certificate for 25 shares.

A. B. White, 1 certificate for 49 shares.

W. H. Pierce, 1 certificate for 1 share.

"Deposit to-day $25000.

"Write out a check for $100 to the order of Currency, for the cash drawer."

June 2. — "Orders received:" —

Order No. 3782. ST. PAUL, MINN., June 1, 19....

C. G. WHITE FURNITURE CO., Chicago.

Please ship at once: 1 Carved Wood Bureau, @$95; 1 Bird's-eye Maple Chamber Set, @$125; and charge to the account of

GEORGE A. TAYLOR.

Order No. 9675. ST. LOUIS, MO., June 1, 19....

C. G. WHITE FURNITURE CO., Chicago.

Please ship to George A. Fellows, Springfield, Ill.: 10 Combination Bookcases #617, @$23; 10 Oak Tables #53, @ $25; and charge to our account.

WHEELER & MOORE.

"Send a check for $350 to H. O. Sweet & Co., rent for June.

"Let me have a check for $100 to the order of the Diebold Safe Co., to apply on the safe we bought yesterday."

June 4. — "Telephone orders received: A. H. Bell & Co., Chicago, 30 Rosewood Arm Chairs at $10 to be delivered without fail to-day. Erie Furniture Co., City, 10 Parlor Room Sets #784. I offered them a special price on this lot of furniture, so bill them at $90 a set."

June 8. — "What is the balance in bank?

"Write out a check for $350 to the order of Moore Bros. and mark on the stub 'Exchanged checks.' Do not enter such a transaction in the Cash Book, as it is only an accommodation. This is their check for the same amount. Do not deposit it until to-morrow, as they do not have money sufficient in bank to meet it. This exchanging of checks is something I dislike very much to do. It is assuming a great risk, for the firm might make an assignment or go into the hands of a receiver before paying their check."

June 9. — "Has George A. Taylor, of St. Paul, remitted for the bill of furniture shipped him June 2? If he has not, make a sight draft on him for the amount and draw through our bank.

"Deposit the check received from Moore Bros.

"Have this order shipped C.O.D."

AUSTIN, ILL., June 6, 19....

C. G. WHITE FURNITURE CO., Chicago.

Please ship, via the American Express: 1 Mahogany Settee, @ $50; and oblige,

JAMES B. WOOD,
No. 33 Austin Ave.

"Mail a check for $75 to the Chicago Gas Lt. & Coke Co., as a deposit for gas meters."

June 15. — "These orders were received to-day:" —

Order No. 39. CHICAGO, June 14, 19....

C. G. WHITE FURNITURE CO., Chicago.

Please deliver to us: 25 White Enameled Bedroom Suits, @ $125; 25 Hair Mattresses, @ $15; and charge to the account of

LAKE SHORE HOTEL.

Order No. 345. CHICAGO, June 14, 19....

C. G. WHITE FURNITURE CO., City.

Please deliver to our teamster: 10 White Enameled Bedroom Suits, @ $115; 10 Hair Mattresses, @ $15; and charge to the account of

MOORE BROS.

"Stewart & Co. of New York write that they have drawn on us for $5000 at five days' sight through the Third National Bank of Chicago. When the draft is presented let me know, as our company will accept it.

"What is the balance in bank?

"Write out a check for $200 to the order of John C. Bird, our traveling agent, and charge it to his Expense account.

"Let me have $25. Make a ticket of it and I will report later."

June 18. — "What did the Third National Bank messenger present to you just now? You say it is that five days' sight draft for $5000 from Stewart & Co.? Very well, I will accept it.

"Has the bank collected the draft we drew on George A. Taylor? Yes? For how much did the bank give us credit? You say for $219.65, deducting 35 cents exchange? Do not fail to make the proper entries.

"Give A. B. White a check for $200 and charge it to my account.

"While you were at luncheon, the American Express Company delivered this C.O.D. envelope for $50 and I signed for it. It is the money collected from James B. Wood for the furniture shipped C.O.D. on June 9. I paid the 25 cents express charges from the cash drawer."

June 23. — "Enter these two notes received from the People's Furniture Co. to balance their account to June 1; one for $1750, dated June 3, at 30 days, and another for $1750, dated June 22, at 8 days, both notes bearing 7% interest, and made payable at the St. Louis National Bank.

"Is there money enough in bank to pay Stewart & Co.'s $5000 draft? Then write out a check for the amount, to the order of the Third National Bank, which holds it, and when the bank messenger calls take up the draft."

June 28.—"John F. Andrews has returned this certificate number 5, on the back of which he states that he has transferred twenty shares to A. G. Blake. Mr. Andrews writes that A. G. Blake wishes the twenty shares divided into two certificates, ten shares each, and that he desires one certificate for himself for the remaining five shares."

June 29.—"Take F. H. Sherwood & Co.'s note to the bank and have it discounted, but let me indorse it first.

"What was the amount of the discount on F. H. Sherwood & Co.'s note? $2.92? Then make the proper entries."

June 30.—"Have you that cash ticket of mine? Charge me with $15. Here is the remaining $10. Be sure you destroy the ticket.

"Have this order shipped to-day:"—

Order No. 9796. ST. LOUIS, MO., June 28, 19....

C. G. WHITE FURNITURE CO., Chicago.

Please ship via the C. & A. R.R.: 50 white enameled bedroom suits, @ $150; 50 hair mattresses, @ $25; and charge to the account of

WHEELER & MOORE.

"Pay the stenographer $75 a month, errand boy $15, two salesmen $65 each, and yourself $100. Have them sign vouchers. If you have not money enough in the drawer write out a check for what you require and I will sign it now. What will be the amount of the check?" ($245.)

"This check for $1752.71 is from the People's Furniture Co. to pay their note due to-day. Enter it, and then receipt the note and mail it to them.

"Make a memorandum of the salaries I shall give you so that you can make entries for them: C. G. White $500 a month, W. H. Pierce $150 a month, and John C. Bird $125 a month. Mr. Bird began work June 15.

"Mr. John C. Bird returned to-day. Here is his Expense Book for June: Sundry items $65.85, 1500 miles at 2¢, $30, total expenses for June, $95.85.

"Give Mr. Bird credit for the remaining number of miles (500 @ 2¢, —$10) on this mileage book No. A 45367, rebate cover $10. Keep the book in the safe until he needs it again.

"Leave the Deposit Book at the bank to-day to be balanced.

"Close the books this month and let me have the statements on July 5."

Invoices received during the Month

CHICAGO, June 6, 19....

C. G. WHITE FURNITURE CO., City.

Bought of ERIE FURNITURE CO.

Terms 30 days.
Our order #3568.

5 Folding Beds,	@ $35.00	$175.00	
10 Hair Mattresses,	@ 15.00	150.00	$325.00

CHICAGO, June 6, 19....

C. G. WHITE FURNITURE CO., City.

Bought of C. H. ODELL & CO.

5 Curtain Top Desks #370,	@ $15.00	$75.00	
5 Chairs #87,	@ 3.00	15.00	$90.00

NEW YORK, June 11, 19....

C. G. WHITE FURNITURE Co., Chicago.

Bought of C. H. BROWN FURNITURE Co.

50	Cane Rockers #205,	@ $3.00	$150.00

CHICAGO, June 27, 19....

C. G. WHITE FURNITURE Co., Chicago.

To C. M. ROGERS, Gen'l. Agent, *Dr.*

Date	Policy No.	Company	Amount	Rate	Premium
June 2	79975	Royal Ins. Co.	$2500.00	$1.50	$37.50
June 4	75692	Germania Ins. Co.	2500.00	1.50	37.50
June 25	48073	New Hampshire Ins. Co.	2500.00	1.50	37.50
June 27	42995	Hartford Ins. Co.	2500.00	1.50	37.50
					$150.00

CHICAGO, June 25, 19....

C. G. WHITE FURNITURE Co., City.

To CHICAGO GAS LIGHT & COKE Co. *Dr.*

Gas from June 2 to June 25,		$47.50	
	Less 20%,	9.50	$38.00

CHICAGO, June 30, 19....

C. G. WHITE FURNITURE Co., City.

To J. C. PENNOYER & Co. *Dr.*

1	Wagon and 1 Horse, 26 days,	@ $2.00	$52.00	
1	Truck and 2 Horses, 26 days,	@ 3.00	78.00	$130.00

CHICAGO, June 10, 19....

C. G. WHITE FURNITURE Co., City.

Order No. 4. Bought of GEORGE SMYTH & Co.

3	Bookkeeper Desks,	@ $12.50	$37.50	
10	Sideboards #83,	@ 10.00	100.00	$137.50

GRAND RAPIDS, MICH., June 11, 19....

C. G. WHITE FURNITURE Co., Chicago.

Bought of PHŒNIX FURNITURE Co.

10	Turkish Parlor Suits #411,	@ $85.00	$850.00

CHICAGO, June 2, 19....

C. G. WHITE FURNITURE Co., City.

Bought of DIEBOLD SAFE Co.

1	Safe #976,	$125.00

NEW YORK, June 11, 19....

C. G. WHITE FURNITURE Co., Chicago.

Bought of STEWART & Co.

100	White Enameled Bedroom Suits,	@ $90.00		$9000.00
100	Hair Mattresses,	@ 10.00		1000.00
				$10000.00

Inventories

Merchandise	$11225.00
Office Furniture	400.00
Mileage	20.00
Interest accumulated on Note	9.19

Monthly Bank Statement

8 Vouchers Returned.

C. G. White Furniture Co.

In Account Current with the Students' National Bank of Chicago.

Checks	Checks	Checks	Checks	Checks	19....		Deposits
100 00					June	1	25000 00
350 00						9	350 00
100 00						18	219 65
350 00						29	4997 08
200 00							30566 73
75 00							
5000 00							
245 00	6420 00						
Balance	*24146 73*	(red ink)					
	30566 73						

June 18, check #7, —$200.00, still out.

Manager's Instructions to his Bookkeeper

July 1.—"Here is a letter and a note from F. H. Sherwood & Co. They will not be able to meet their note which becomes due on July 2, and ask us to accept the inclosed note, $5000, as a renewal, dated July 2, at 30 days, with interest at 7% per annum. We shall do it. You may give them credit for the new note and I will write them. Let me have the old note. You say it has been discounted? Then how can we accommodate Sherwood & Co., if the old note has gone through the bank and will be presented to them for payment on July 2? What should be done in a transaction of this kind? Look back on the books and see what entry your predecessor made for such a transaction.

"Give John C. Bird a check for $50. It is for a mileage book.

"These orders have been received:" —

Chicago, July 1, 19....

C. G. White Furniture Co., Chicago.

Please deliver to us: 25 Enameled Bedroom Suits, @ $125; 25 Hair Mattresses, @ $20; and charge to the account of

Lake Shore Hotel.

St. Louis, Mo., June 30, 19....

C. G. White Furniture Co., Chicago.

Please ship to us: 10 Folding Beds #480, @ $50; 10 Hair Mattresses, @ $20; 5 Combination Bookcases, @ $23; and charge to the account of

The Southern Hotel Co.

July 5.—"What is the balance in bank?

"Mail Stewart & Co. a check for $3000 to apply on account.

"Mail J. C. Pennoyer & Co. a check for the balance of our account.

"Check the statement of the Phœnix Furniture Co., and tell me the balance.

GRAND RAPIDS, MICH., July 1, 19....

C. G. WHITE FURNITURE CO.,
Chicago.

In account with THE PHŒNIX FURNITURE CO.

19....

June	11	Mdse.,	865	00		
"	15	"	33	50	898	50

NOTE. — The pupil should copy the above statement on a statement blank and then check it with the account.

"Have you checked the statement of the Phœnix Furniture Co.? You say we owe them $850 according to our books? Then write out a note for the amount, dating it to-day, at 60 days, and make it payable at our office.

"Give John C. Bird the mileage book, No. A 45367, which is in the safe.

"Mail C. M. Rogers a check for the balance of our account.

"At the meeting of the directors to-day a stockholders' dividend of five (5) per cent ($2500) was declared. Make the transfer to Dividend account and write up the Dividend Book according to the Stockholders' Ledger. I will notify the stockholders to-day, by letter, to call on July 6 and receive their dividends."

July 6. — "Enter this check for $2000, and this note for $500, received from the C. T. Wirts Furniture Co., note dated July 6, at 30 days, with interest at 7%, payable at the Students' Bank of Detroit. They write that the check and note will balance the account. Before entering them investigate and see if the account will balance.

"You may now write out the checks for the dividends, as the stockholders will call this afternoon.

"Do not forget to deposit to-day the checks ($3752.71) in the safe.

"Make transfer for this certificate number 3, on the back of which you will see that I have transferred ten shares to George P. Black. Mr. Black desires one certificate. I wish one, also, for the remaining fifteen shares.

"John F. Andrews wishes two certificates of 50 shares each, and another for 25 shares, making a total of 125 shares. These certificates are to be issued in lieu of this certificate number 4 which he has already indorsed.

"Make transfer for this certificate number 2, which I have transferred to C. C. Campbell."

July 7. — "Upon arriving at the office this morning I discovered that our store was partly destroyed by fire. The first thing to be done is to notify the different insurance companies. The store will be closed for a few days until the insurance companies investigate the matter."

QUESTIONS FOR DISCUSSION

1. In transferring a certificate of stock, when does a stockholder's liability cease? 2. When does an original stockholder's liability cease? 3. Why has the common stock of some corporations a greater value than the preferred stock? 4. How can the books of a corporation be made to show a surplus from which dividends are declared, when in reality the corporation is losing at the time? Out of what are such dividends being paid? 5. A corporation makes an assignment, whereupon the assignee immediately demands an approximate statement of the company's assets and liabilities. Tell what accounts should be considered. 6. What would be the first entry for increasing capital stock with 200 shares at $100 per share? Give the entries for selling 100 shares of it to certain stockholders at 75% of its par value. How does such a sale affect the other stock-

holders? 7. What is the difference between Capital account and Capital Stock account? 8. If a corporation is incorporated for $10,000 and only 75% is paid in, what can it do in order to issue "full paid and non-assessable" certificates without having any more cash paid in? Give entries. 9. A corporation with a capital stock of $10,000 fully paid in wishes to reduce its authorized capital, and secures a certificate of decrease from the Secretary of State. What entry should be made for the decrease? 10. Do all corporations require that their directors be stockholders of the company? 11. How may a holder of stock of a corporation receive dividends and not have his name appear on the books? 12. Can a cash dividend be declared if the cash balance on hand is not equal to the amount to be paid? 13. If a partnership business is sold out for cash to a corporation or firm, how does this transaction affect the books? Explain in full the steps taken to ascertain the worth of the business. What new account must be opened to receive the transfers? From what statement are the transfer entries made, and what account receives the totals? Give the Journal entries for the transfer of all the accounts on the statement. Give the entry for closing the Stock accounts, if the partners transfer their interest to the corporation in payment of shares of stock. 14. A corporation is organized for $500,000 to work a gold mine in Alaska. A, who holds the deed to the mine, transfers it to the company, in payment of 45,000 shares at $10 a share, $450,000. Upon the delivery of the certificates, A decides to give the company 2000 shares in consideration of one dollar, to assist in working the mine. Give entry for the transfer. What account should be credited, if any of this stock is sold? And in what way would the sale of this stock affect the profits of the company?

SECTION V. BANKING

239. The business of banking consists mostly in receiving deposits of money, loaning money by discounting notes and drafts, and collecting commercial paper. It is also a channel through which money is transmitted.

The profits of a bank are generally shown in the following accounts: Interest, Discount, Collection, and Exchange.

Banks are of three kinds: National, State, and Private Banks. National and state banks are incorporated institutions, while private banks are not.

240. National Banks are organized under a special act of Congress and under the laws of the United States.

241. State Banks are organized under the laws of the state in which they are located. They are known as State or Trust and Savings Banks.

NOTE. — Mutual savings banks are incorporated institutions but have no stock. They are organized for the benefit of the depositors. Their money is supposed to be invested judiciously by the bank in accordance with the laws of the state. The depositors receive no interest, but dividends based upon the net profits of the bank.

242. Private Banks are not organized under any law, and are operated by individuals.

BANK OFFICERS

243. A regularly organized bank has a Board of Directors, a President, and a Cashier.

244. The Board of Directors is composed of stockholders of the bank (except in mutual savings banks) who oversee it and are held responsible for its general management.

245. The President is the supreme officer and should be a man of the highest integrity. He presides at all the meetings of the Directors and assumes sole authority during the recess. He is supposed to devote his entire time to the interest of the bank.

246. The Cashier, with the exception of the president, holds the most responsible position in a bank, and is required to furnish a bond for the faithful performance of his duties. He is the first person to be interviewed when one wishes to open an account, to borrow money, or to have notes and drafts discounted.

247. The Office Staff in a regularly organized bank is usually composed of a Paying Teller, Receiving Teller, Discount Clerk, Collection and Note Teller, Foreign Exchange

Clerk, Draft Clerk, Individual Bookkeeper, General Bookkeeper, and Messenger. The number of employees is regulated by the size of the bank.

248. The Paying Teller pays all moneys, certifies checks, and keeps a Cash Book ruled only with columns for balancing his cash. He is responsible for all moneys paid out, and is therefore supposed to be familiar with the signatures of the depositors, which are on record in the bank.

249. The Receiving Teller receives the deposits and enters in each depositor's Pass Book the total amount deposited. He keeps a Cash Book ruled only with columns for balancing his cash.

250. The Discount Clerk discounts all notes and drafts, writes up the Discount Register and Tickler, and also enters the proceeds in depositors' Pass Books.

251. The Collection and Note Teller has charge of the collection of all notes and drafts, which are entered in the Collection Register and Tickler. He writes up both of these books and keeps a Cash Book ruled only with columns for balancing his cash.

252. The Foreign Exchange Clerk attends to all foreign business. He issues letters of credit, buys and sells exchange, and is responsible for all balances held in foreign countries to the bank's credit.

253. The Draft Clerk issues the bank drafts and the certificates of deposit, and also keeps the registers containing the records of them.

254. The Individual Bookkeeper has charge of the Deposit Ledger and sometimes writes up the Pass Books.

255. The General Bookkeeper has the General Journal and the General Ledger in charge. He is the only clerk in a bank who requires a thorough knowledge of bookkeeping, as all the other books are elementary and readily understood. He is the last clerk in a bank to finish the day's work, and he is not supposed to leave the office until a trial balance has been obtained and a statement rendered to the cashier.

256. The Messenger (Collector) is the person who presents the time drafts for acceptance and the notes and drafts for collection, etc.

The Books — Their Use

257. The books ordinarily used in a bank are: —

Auxiliary Books: Discount Register, Discount Tickler, Collection Register, Collection Tickler, Draft Register, Certificate of Deposit Register, Signature Book, Depositors' Daily Balance Book, Paying Teller's Cash Book, Receiving Teller's Cash Book, Note Teller's Cash Book.

Books of Entry: General Journal, Deposit Ledger, General Ledger.

258. The Discount Register contains a record of all the notes and drafts discounted, known as "Bills Discounted" or "Loans and Discounts."

The Amount, Discount, Exchange, and Proceeds columns are footed daily. These totals are transferred to the Journal by debiting (on the credit side) Bills Discounted with the Amount total, and crediting (on the debit side) Discount and Exchange accounts with their respective amounts and the Depositors' accounts with the items in the Proceeds column.

From this book all notes and drafts are transferred to the Discount Tickler according to the date of maturity.

Discount Register (Left-hand Page)

No.	When Discounted	For whom Discounted	Payer	Address

Discount Register (Right-hand Page)

Rate	Date	Time	Due Date	Amount	Discount	Exchange	Proceeds

259. The Discount Tickler contains a record of all the notes and drafts discounted, arranged according to the date of maturity. Each page may be divided into two parts, the upper half being reserved for the domestic paper and the lower half for the foreign paper.

Discount Tickler

MONDAY....., 19.....

No.	For whom Discounted	Payer	Address	Amount	When Paid

260. The Collection Register contains a record of all notes and drafts left at the bank or received through the mail for collection. Transfers are made daily from this book to the Collection Tickler.

Collection Register (Left-hand Page)

No.	When Received	Payee or Indorser	Drawee or Maker	Where Payable

Collection Register (Right-hand Page)

Date	Time	Rate of Interest	When Due	Amount	Interest	To whom Sent

Clerk, Draft Clerk, Individual Bookkeeper, General Bookkeeper, and Messenger. The number of employees is regulated by the size of the bank.

248. The Paying Teller pays all moneys, certifies checks, and keeps a Cash Book ruled only with columns for balancing his cash. He is responsible for all moneys paid out, and is therefore supposed to be familiar with the signatures of the depositors, which are on record in the bank.

249. The Receiving Teller receives the deposits and enters in each depositor's Pass Book the total amount deposited. He keeps a Cash Book ruled only with columns for balancing his cash.

250. The Discount Clerk discounts all notes and drafts, writes up the Discount Register and Tickler, and also enters the proceeds in depositors' Pass Books.

251. The Collection and Note Teller has charge of the collection of all notes and drafts, which are entered in the Collection Register and Tickler. He writes up both of these books and keeps a Cash Book ruled only with columns for balancing his cash.

252. The Foreign Exchange Clerk attends to all foreign business. He issues letters of credit, buys and sells exchange, and is responsible for all balances held in foreign countries to the bank's credit.

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Books of Entry: General Journal, Deposit Ledger, General Ledger.

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The Amount, Discount, Exchange, and Proceeds columns are footed daily. These totals are transferred to the Journal by debiting (on the credit side) Bills Discounted with the Amount total, and crediting (on the debit side) Discount and Exchange accounts with their respective amounts and the Depositors' accounts with the items in the Proceeds column.

From this book all notes and drafts are transferred to the Discount Tickler according to the date of maturity.

Discount Register (Left-hand Page)

No.	When Discounted	For whom Discounted	Payer	Address

Discount Register (Right-hand Page)

Rate	Date	Time	Due Date	Amount	Discount	Exchange	Proceeds

259. The Discount Tickler contains a record of all the notes and drafts discounted, arranged according to the date of maturity. Each page may be divided into two parts, the upper half being reserved for the domestic paper and the lower half for the foreign paper.

Discount Tickler

MONDAY....., 19.....

No.	For whom Discounted	Payer	Address	Amount	When Paid

260. The Collection Register contains a record of all notes and drafts left at the bank or received through the mail for collection. Transfers are made daily from this book to the Collection Tickler.

Collection Register (Left-hand Page)

No.	When Received	Payee or Indorser	Drawee or Maker	Where Payable

Collection Register (Right-hand Page)

Date	Time	Rate of Interest	When Due	Amount	Interest	To whom Sent

261. The Collection Tickler contains a record of all the notes and drafts for collection, arranged according to the date of maturity.

Collection Tickler

MONDAY..... , 19 ....

No.	For whom Collected	Payer	Address	Amount	When Paid

262. The Draft Register contains a record of the drafts drawn by the bank on its correspondents.

At the close of each day's business the register is ruled and footed and the amounts transferred to the debit side of the Journal, crediting the correspondents' accounts and Exchange account with their respective amounts.

Draft Register

NEW YORK NATIONAL BANK

Date	No.	In Favor of	For Whom	Amount	Exchange	When Paid

263. The Certificate of Deposit Register. — In this book are recorded all certificates of deposit issued by the bank. The total amount issued daily is transferred to the debit side of the Journal and credited to Certificate of Deposit account.

Certificate of Deposit Register

Date	Deposited by	Order of	No.	Amount	Total	When Paid

264. The Signature Book or **Card Index** has the signatures of all depositors. It is usually in the possession of the paying teller.

265. The Depositors' Daily Balance Book. — In this book is entered daily each depositor's balance. It is a reference book for the cashier and paying teller.

266. The General Journal in the banking business corresponds to the Cash Book in a mercantile business. In some large banks the Journal is divided into two books as follows:—

1. The Debit Journal contains a record of all the money paid out and corresponds to the credit side of a Cash Book.

2. The Credit Journal contains a record of all the money received and corresponds to the debit side of a Cash Book.

Journal

Credit Journal

Date	Folio			Collection and Exchange	Deposit Ledger	General Ledger
1903						
Jan. 31		D. C. Potter	Col. # 945	1 00	475 00	
		Dexter & White	4759, 596, 9758		15113 00	
		Williams & Co.	575.80, 37.50, 97.68		710 98	
		Lincoln & Sawyer	50.75, 1007, 875.35		1933 10	
		J. M. King	90, 75.50, 675, 1350		2190 50	
		New York Nat. Bk.	Per Draft Register			25520 00
		Exchange	" " "	63 80		
		[1] Overdrafts	J. M. King			150 00
		[2] Certified Checks	# 375, D. C. White		150 00	
		Exchange	Teller's Memo.	15 75		
		[3] Cashier (Check) Acct.	150, 35		185 00	
		Bills Discounted	Dis. # 675, D. C. Potter			1500 00
		" "	" 750, Perkins & Co.			2000 00
		Discount	Per Disc. Register			1875 00
		Certificates of Deposit	Per Register		575 00	
		Deposits	Overdrafts			175 50
		Coll. and Exchange	Cr.	80 55		80 55
		Deposits	Cr.		21332 58	21332 58
		Cash Dr.	Total Receipts			52633 63

Debit Journal

Date	Folio			Collection and Exchange	Deposit Ledger	General Ledger
1903						
Jan. 31		Williams & Co.	75, 100, 375		550 00	
		Wilson & Co.	1500, 1750		3250 00	
		L. D. Kitchen	500, 750, 95.50		1345 50	
		Dexter & White	75, 902, 450		1427 00	
		Lincoln & Sawyer	2500, 950		3450 00	
		Furniture and Fixtures	Voucher # 950			150 00
		Expense	" 951			35 00
		[2] Certified Checks	# 295, M. A. Bell		500 00	
		D. C. White	150		150 00	
		Perkins & Co.	2000		2000 00	
		[3] Cashier (Check) Acct.	75, 100, 57.25		232 25	
		[1] Overdrafts	Wilson & Co.			175 50
		Bills Discounted	Per Disc. Register			12575 00
		Deposits	Overdrafts			150 00
		New York Nat. Bk.	375, 1500			1875 00
		Certificates of Deposit	# 365, L. M. Day		150 00	
		Coll. and Exchange	Dr.			
		Deposits	Dr.		13054 75	13054 75
		Cash Cr.	Total Disbursements			28015 25

[1] Overdrafts account is charged with the debit balances of the depositors' accounts, and it is credited as these balances are paid.

[2] When a check is presented to be certified the paying teller immediately fills out a debit ticket for the amount, which is afterwards charged to the account of the depositor and credited to Certified Checks account. When the check is cashed the Certified Checks account is debited and Cash account is credited. The account balances when no certified checks are out.

[3] Cashier checks are used for paying bills for the bank and settling balances at the clearing house; and also are sold as drafts payable in the city. Cashier account shows a record of the cashier checks. It is credited as the checks are issued, and it is debited as the checks are cashed.

NOTE. — The Collection and Exchange column is not posted like the Discount column on page 40, but is credited and debited as if it were Sales or Expense account. The accounts of the depositors are credited only with the proceeds of collections or discounts. For example see D. C. Potter, Col. # 945.

NOTE. — The Credit and Debit Journals of banks which use the report tickets (see page 165) and the improved Deposit Ledger (see page 164) do not contain the amounts of the deposits and cashed checks of each depositor, as shown above, but totals only; for in such banks the deposit slips, cashed checks, and discount slips are entered immediately in the accounts of the depositors in the Deposit Ledger, instead of in the Journal.

Deposit Ledger

Name	Balance	Thursday, January 2, 1902				Friday, January 3, 1902				Saturday, January 4, 1902				Name	Transfer Balance
		Checks in Detail	Total Checks	Deposit	Balance	Checks in Detail	Total Checks	Deposit	Balance	Checks in Detail	Total Checks	Deposit	Balance		
Beecher, Geo. & Co.,	205 93				205 93				205 93				205 93	Beecher, Geo. & Co.,	205 93
Chase, A. M. & Co.,	1096 50	230 00 50 00 50 00	330 00		766 50				766 50			190 22 350 00	1315 72	Chase, A. M. & Co.,	1315 72
Clay, H. B. & Co.,	1495 00			625 00	2120 00				2120 00			550 00	2670 00	Clay, H. B. & Co.,	2670 00

267. The Deposit (Individual) Ledger contains the accounts of all depositors, also the accounts pertaining to the depositors, as those of Certified Checks and Certificates of Deposit.

In small banks an ordinary ledger may be used, but most banks are now using specially ruled ledgers which save labor, as they take the place of both a Book of Original Entry and a Ledger. The one illustrated on p. 164 is a specially ruled Ledger whose accounts are immediately debited with the checks as they are cashed, and credited with the deposit slips as they are received. The aggregate amount of checks cashed and the total amount of deposits are transferred daily from this Ledger to the General Journal. The Deposit account is credited with the total amount deposited and is debited with the total amount of checks cashed. Black ink entries in the Balance columns indicate balances on deposit; red ink entries indicate overdrafts.

268. The General Ledger contains all the representative accounts and such personal accounts as are not in the Deposit Ledger. From this Ledger is rendered daily a trial balance showing the condition of the bank.

Collections

269. All notes and drafts received for collection are numbered consecutively and recorded in the Collection Register and Tickler. No entry for such paper is made in the Journal until it is paid, as the bank is merely acting as an agent for the owners.

All paper left with the teller should be entered immediately, by him, under "Collections" in the back part of the depositor's Pass Book. When the paper is paid the amount is crossed out under "Collections" and the proceeds entered under the deposits in the front part of the Pass Book.

270. The commercial paper handled by the bank is divided into two classes:

1. Domestic paper consists of notes and drafts payable in the city.
2. Foreign paper consists of notes and drafts payable out of the city.

The Daily Report Tickets

271. In large banks each department is required to render to the general bookkeeper a Report Ticket, consisting of totals taken from its books. From the tickets the general bookkeeper makes his Journal entries, and also proves each clerk's book. This is done in a book called the "Scratcher," a common book with columns ruled for figures.

SET V. EXERCISES

The following exercises consist principally of the banking transactions in the four previous sets, but under different dates. These will enable the pupil to trace readily the routine of the transactions between the various firms and their banker.

It is assumed that the bank has been in existence, so that the work is from the first of the year with new Ledgers, etc. The bank is called the "Students' National Bank of Chicago."

General Instructions. — Books required: Discount Register, Discount Tickler, Collection Register, Collection Tickler, Draft Register, Certificate of Deposit Register, General Journal, Deposit Ledger, General Ledger.

The pupil may rule the auxiliary books named above according to the specimen pages. He should copy in ordinary Ledgers the faces of the General Ledger and of the Deposit Ledger, as they appear in the exercises. He should also copy the Discount Register and the Discount Tickler in their respective books, and then proceed with the transactions.

In arranging the Journal mark the left-hand pages "Credit Journal" and the right-hand pages "Debit Journal." Name the money columns on each page as follows: "Collection and Exchange," "Deposits," and "General."

When posting to the Deposit Ledger write in the explanation of each entry. Devote to each account about one third of a page.

General Ledger D of Students' National Bank

CAPITAL STOCK

19....

						Jan.	1	Balance L	C	100000	00

REAL ESTATE

19....

Jan.	1	Balance L	C	40000	00						

CASH

19....

Jan.	1	Balance L	C	27975	00						

FURNITURE AND FIXTURES

19....

Jan.	1	Balance L	C	3435	00						

UNITED STATES BONDS

19....

Jan.	1	Balance L	C	25000	00						

General Ledger D — *Continued*

STOCKS AND SECURITIES

19.....

Jan.	1	Balance	L	C	24275	25								

BILLS DISCOUNTED

19....

Jan.	1	Balance	L	C	18655	00								

SURPLUS FUND

19.....

							Jan.	1	Balance	L	C	20000	00	

PROFIT AND LOSS

19.....

							Jan.	1	Balance	L	C	9781	12	

DEPOSITS

19.....

							Jan.	1	Balance	L	C	28758	40	

General Ledger D — *Continued*

ST. LOUIS NATIONAL BANK

19 ____ *St. Louis, Mo.*

Jan.	1	Balance		L	C	1500	00						

KANSAS CITY BANK

19 ____ *Kansas City, Mo.*

Jan.	1	Balance		L	C	864	00						

NEW YORK NATIONAL BANK

19 ____

Jan.	1	Balance		L	C	11760	27						

SAN FRANCISCO NATIONAL BANK

19 ____ *San Francisco, Cal.*

Jan.	1	Balance		L	C	5075	00						

Deposit Ledger D

H. B. CLAY & CO.

19 ____

								Jan.	1	Balance	L	C	5500 00

Deposit Ledger D — *Continued*

A. M. CHASE & CO.

19.....

						Jan.	1	Balance L	C	3000	00

C. H. SMITH & CO.

19....

						Jan.	1	Balance L	C	10000	00

C. G. WHITE FURNITURE CO.

19....

						Jan.	1	Balance L	C	5000	00

D. C. STUDENT

19.....

						Jan.	1	Balance L	C	3000	00

JOHN STEWART

19.....

						Jan.	1	Balance L	C	2000	00

Deposit Ledger D — *Continued*

REID, SMITH & SONS

19.....

							Jan.	1	Balance	L	C	165	80

GEORGE BEECHER & SON

19.....

							Jan.	1	Balance	L	C	5	93

CARTER & BROWN

19.....

							Jan.	1	Balance	L	C	10	87

CERTIFIED CHECKS

19.....

							Jan.	1	Balance	L	C	75	80

Discount Register (Left-hand Page)

No.	When Discounted 19...		For whom Discounted	Payer	Address
687	Dec.	14	Reid, Smith & Sons	A. B. Rider & Son	St. Louis, Mo.
688	"	14	George Beecher & Co.	Merrill & Co.	Chicago
689	"	15	C. B. White	Carter & Brown	Chicago
690	"	15	Students' Clothing Co.	A. M. Grey	St. Louis, Mo.
691	"	15	Lake Shore Hotel	George B. Snow	Kansas City, Mo.
692	"	18	Carter & Brown	S. B. Mason & Co.	Chicago

Discount Tickler

THURSDAY, JANUARY 3, 19____

No.	For whom Discounted	Payer	Address	Amount	When Paid
687	Reid, Smith & Son	A. B. Rider & Son	St. Louis, Mo.	2800 00	
688	George Beecher & Co.	Merrill & Co.	Chicago	1780 00	
689	C. B. White	Carter & Brown	Chicago	4500 00	

FRIDAY, JANUARY 4, 19____

No.	For whom Discounted	Payer	Address	Amount	When Paid
690	Students' Clothing Co.	A. M. Grey	St. Louis, Mo.	3900 00	
691	Lake Shore Hotel	George B. Snow	Kansas City, Mo.	675 00	

SATURDAY, JANUARY 5, 19____

No.	For whom Discounted	Payer	Address	Amount	When Paid
692	Carter & Brown	S. B. Mason & Co.	Chicago	5000 00	

Discount Register (Right-hand Page)

Date 19___		Rate	Time	Due Date 19___		Amount	Amount Discount	Exchange	Proceeds
Dec.	4	7%	30 days	Jan.	3	2800 00	10 88	8 28	2780 84
Nov.	19	7%	45 "	"	3	1780 00	6 91		1773 09
Nov.	29	6%	35 "	"	3	4500 00	14 25		4485 75
Dec.	10	6%	25 "	"	4	3900 00	13 00	8 25	3878 75
Dec.	5	6%	30 "	"	4	675 00	2 25	1 84	670 91
Dec.	6	7%	30 "	"	5	5000 00	17 50		4982 50
						18655 00	64 79	18 37	18571 84

Duties of Bank Clerks

Wednesday, January 2, 19 ....

Receiving Teller received cash to-day as follows: —

Deposit Slips and Memos. on Spindle

H. B. Clay & Co.	Deposit Slip,	125.00	
		80.00	
		275.00	480.00
A. M. Chase & Co.	Deposit Slip,		75.00
C. G. White Furniture Co.	Deposit Slip,	10000.00	
		10000.00	20000.00
Students' Clothing Co.	Deposit Slip,	200.00	
		200.00	400.00
George Beecher & Co.	Deposit Slip,	75.00	
		125.00	200.00
Exchange (on checks)	Teller's Memo.		6.50

Paying Teller paid out cash to-day as follows: —

Checks and Memos. on Spindle

H. B. Clay & Co.	Checks, 25.00, 50.00, 35.00, 300.00
A. M. Chase & Co.	Checks, 50.00, 150.00, 13.50, 65.00, 75.00
C. G. White Furniture Co.	Checks, 100.00, 350.00, 100.00, 350.00
C. H. Smith & Co.	Checks, 100.00, 150.00, 75.00
C. H. R. & Co. (two desks)	Voucher #1376, 125.00

January 3

Discount Clerk received word that Discount No. 687 has been paid and credited to our account by the St. Louis National Bank. (Credit Bills Discounted with $2800 and debit St. Louis National Bank. Mark it paid on Discount Tickler.)

Received Merrill & Co.'s check for $1780 to pay Discount No. 688; Carter & Brown's check for $4500 to pay Discount No. 689.

Paying Teller paid out cash to-day as follows: —

Checks and Memos. on Spindle

C. H. Smith & Co.	Checks, 185.00, 200.00, 75.00
H. B. Clay & Co.	Checks, 350.00, 50.00, 25.00, 50.00
A. M. Chase & Co.	Checks, 1000.00, 125.00, 500.00
Reid, Smith & Son	Certified check, 75.80

Receiving Teller received cash to-day as follows: —

Deposit Slips and Memos. on Spindle

C. H. Smith & Co.	Deposit Slip,	1000.00	
		2441.67	3441.67
Carter & Brown	Deposit Slip,		5100.00
H. B. Clay & Co.	Deposit Slip,	35.50	
		414.50	450.00

C. G. White Furniture Co.	Deposit Slip,	350.00
Exchange (on checks)	Teller's Memo.	2.75

Collection Teller received from C. G. White Furniture Co. for collection a sight draft, dated January 3, drawn on George A. Taylor, St. Paul, Minn., for $220. Collection No. 700. Mailed it to St. Paul Bank.

Draft Clerk received C. H. Smith & Co.'s check for $1000 for a San Francisco draft made to their order. Issued draft on the San Francisco National Bank for $1000; exchange on same $4.

January 4

Paying Teller paid out cash to-day as follows: —

Checks and Memos. on Spindle

H. B. Clay & Co.	Checks,	4000.00, 50.00
Carter & Brown	Checks,	35.00, 100.00, 67.50
John Stewart & Co.	Checks,	55.00, 250.00, 250.00
C. H. Smith & Co.	Check,	183.00

Receiving Teller received cash to-day as follows: —

Deposit Slips and Memos. on Spindle

Carter & Brown	Deposit Slip,	97.80
Reid, Smith & Son	Deposit Slip,	200.00
Exchange	Teller's Memo.	1.35

St. Louis National Bank draft #2678 on New York City Bank, $4300.

January 5

Receiving Teller received cash to-day as follows: —

H. B. Clay & Co.	Deposit Slip,	625.00

Paying Teller paid out cash to-day as follows: —

Checks and Memos. on Spindle

A. M. Chase & Co.	Checks,	230.00, 50.00, 50.00
John Stewart & Co.	Check,	250.00

Discount Clerk has been informed that the St. Louis National Bank has received remittance for Discount No. 690, $3900, and has placed it to our credit.

Received advices from the Kansas City Bank that Discount No. 691 has been paid and placed to our credit.

Received Mason & Co.'s check for $5000 to pay Discount No. 692.

January 7

Collection Teller received a New York draft for $220 from the St. Paul Bank for Collection No. 700. Proceeds, $219.65; exchange, 35 cents.

Draft Clerk mailed for deposit to the New York National Bank drafts as follows: St. Paul Bank on New York National Bank for $220, St. Louis National Bank on New York City Bank for $4300; total deposit, $4520.

Duties of Bank Clerks

Wednesday, January 2, 19 ....

Receiving Teller received cash to-day as follows: —

Deposit Slips and Memos. on Spindle

H. B. Clay & Co.	Deposit Slip,	125.00	
		80.00	
		275.00	480.00
A. M. Chase & Co.	Deposit Slip,		75.00
C. G. White Furniture Co.	Deposit Slip,	10000.00	
		10000.00	20000.00
Students' Clothing Co.	Deposit Slip,	200.00	
		200.00	400.00
George Beecher & Co.	Deposit Slip,	75.00	
		125.00	200.00
Exchange (on checks)	Teller's Memo.		6.50

Paying Teller paid out cash to-day as follows: —

Checks and Memos. on Spindle

H. B. Clay & Co.	Checks, 25.00, 50.00, 35.00, 300.00
A. M. Chase & Co.	Checks, 50.00, 150.00, 13.50, 65.00, 75.00
C. G. White Furniture Co.	Checks, 100.00, 350.00, 100.00, 350.00
C. H. Smith & Co.	Checks, 100.00, 150.00, 75.00
C. H. R. & Co. (two desks)	Voucher #1376, 125.00

January 3

Discount Clerk received word that Discount No. 687 has been paid and credited to our account by the St. Louis National Bank. (Credit Bills Discounted with $2800 and debit St. Louis National Bank. Mark it paid on Discount Tickler.)

Received Merrill & Co.'s check for $1780 to pay Discount No. 688; Carter & Brown's check for $4500 to pay Discount No. 689.

Paying Teller paid out cash to-day as follows: —

Checks and Memos. on Spindle

C. H. Smith & Co.	Checks, 185.00, 200.00, 75.00
H. B. Clay & Co.	Checks, 350.00, 50.00, 25.00, 50.00
A. M. Chase & Co.	Checks, 1000.00, 125.00, 500.00
Reid, Smith & Son	Certified check, 75.80

Receiving Teller received cash to-day as follows: —

Deposit Slips and Memos. on Spindle

C. H. Smith & Co.	Deposit Slip,	1000.00	
		2441.67	3441.67
Carter & Brown	Deposit Slip,		5100.00
H. B. Clay & Co.	Deposit Slip,	35.50	
		414.50	450.00

C. G. White Furniture Co.	Deposit Slip,	350.00
Exchange (on checks)	Teller's Memo.	2.75

Collection Teller received from C. G. White Furniture Co. for collection a sight draft, dated January 3, drawn on George A. Taylor, St. Paul, Minn., for $220. Collection No. 700. Mailed it to St. Paul Bank.

Draft Clerk received C. H. Smith & Co.'s check for $1000 for a San Francisco draft made to their order. Issued draft on the San Francisco National Bank for $1000; exchange on same $4.

January 4

Paying Teller paid out cash to-day as follows: —

Checks and Memos. on Spindle

H. B. Clay & Co.	Checks,	4000.00, 50.00
Carter & Brown	Checks,	35.00, 100.00, 67.50
John Stewart & Co.	Checks,	55.00, 250.00, 250.00
C. H. Smith & Co.	Check,	183.00

Receiving Teller received cash to-day as follows: —

Deposit Slips and Memos. on Spindle

Carter & Brown	Deposit Slip,	97.80
Reid, Smith & Son	Deposit Slip,	200.00
Exchange	Teller's Memo.	1.35

St. Louis National Bank draft #2678 on New York City Bank, $4300.

January 5

Receiving Teller received cash to-day as follows: —

H. B. Clay & Co.	Deposit Slip,	625.00

Paying Teller paid out cash to-day as follows: —

Checks and Memos. on Spindle

A. M. Chase & Co.	Checks,	230.00, 50.00, 50.00
John Stewart & Co.	Check,	250.00

Discount Clerk has been informed that the St. Louis National Bank has received remittance for Discount No. 690, $3900, and has placed it to our credit.

Received advices from the Kansas City Bank that Discount No. 691 has been paid and placed to our credit.

Received Mason & Co.'s check for $5000 to pay Discount No. 692.

January 7

Collection Teller received a New York draft for $220 from the St. Paul Bank for Collection No. 700. Proceeds, $219.65; exchange, 35 cents.

Draft Clerk mailed for deposit to the New York National Bank drafts as follows: St. Paul Bank on New York National Bank for $220, St. Louis National Bank on New York City Bank for $4300; total deposit, $4520.

Receiving Teller received cash to-day as follows: —

Deposit Slips and Memos. on Spindle

H. B. Clay & Co.	Deposit Slip,	550.00
A. M. Chase & Co.	Deposit Slip,	350.00

Collection Teller received for collection, from C. H. Smith & Co., a five days' sight draft, dated January 7, drawn on the Golden Gate Electric Light Co., San Francisco, Cal., for $5000. Mailed draft to the San Francisco National Bank.

Received for collection from the New York National Bank, C. Johnson & Co.'s five days' sight draft, dated January 5, drawn on H. B. Clay & Co., Chicago, for $292.50. The drawee accepted the draft upon presentation to-day, payable at this bank.

Discount Clerk received from the cashier, to be discounted (at 7%) for A. M. Chase & Co., note for $200, dated January 7, 19....., at 20 days, signed by M. A. Cook & Co. and indorsed by A. M. Chase & Co., payable at the Third National Bank, Chicago. Proceeds, $199.22. Discount, 78 cents.

Paying Teller paid out cash to-day as follows: —

Checks and Memos. on Spindle

C. G. White Furniture Co.	Checks,	75.00, 200.00, 5000.00, 245.00

January 9

Receiving Teller received for deposit, from A. M. Chase & Co., their sight draft (O.K.'d by the cashier), dated January 9, drawn on the Sheboygan National Bank, Sheboygan, Wis., for $786.28. Entered the amount in the depositor's book, etc. Mailed the draft to the Sheboygan Bank.

Paying Teller paid out cash to-day as follows: —

Checks and Memos. on Spindle

H. B. Clay & Co.	Checks,	500.00, 410.00, 38.80, 37.50

Receiving Teller received cash to-day as follows: —

Deposits and Memos. on Spindle

H. B. Clay & Co.	Deposit Slip,	254.98	
		400.00	
		25.00	
		57.50	737.48

January 10

Paying Teller paid out cash to-day as follows: —

Checks and Memos. on Spindle

H. B. Clay & Co.	Checks,	4140.00, 26.50, 70.00
A. M. Chase & Co.	Checks,	10.80, 500.00, 37.50, 100.00
Stamps	Voucher #1377,	10.00

January 11

Receiving Teller received cash to-day as follows: —

Deposit Slips and Memos. on Spindle

H. B. Clay & Co.	Deposit Slip,	700.00	
		214.34	
		800.00	1714.34
Reid, Smith & Son	Deposit Slip,		200.00
H. B. Clay & Co.	Deposit Slip,		225.00

Paying Teller certified Reid, Smith & Son's check for $200 and placed on the spindle a debit memorandum for it.

January 12

Paying Teller paid out cash to-day as follows: —

Checks and Memos. on Spindle

A. M. Chase & Co.	Checks, 40.00, 50.00, 460.00, 150.00	
H. B. Clay & Co.	Debit Memo. (check certified),	900.00

Receiving Teller received cash to-day as follows: —

Deposit Slips and Memos. on Spindle

H. B. Clay & Co.	Deposit Slip,	459.27	
		238.50	697.77
Reid, Smith & Son	Deposit Slip,	375.00	
		400.00	775.00
Students' Clothing Co.	Deposit Slip,	300.00	
		225.00	
		700.00	1225.00
Exchange (on checks)	Teller's Memo.		1.75

Collection and Note Teller has been advised that the San Francisco National Bank received a check for Collection No. 701, and placed same to our credit. Proceeds, $4987.50; exchange, $12.50.

Received a check from H. B. Clay & Co. for $292.50 to pay Collection No. 702.

January 14

Receiving Teller received cash to-day as follows: —

Deposit Slips and Memos. on Spindle

John Stewart & Co.	Deposit Slip,		440.00
H. B. Clay & Co.	Deposit Slip,		100.00
C. H. Smith & Co.	Deposit Slip,		1000.00
H. B. Clay & Co.	Deposit Slip,	200.00	
		33.32	233.32

Draft Clerk issued certificates of deposit as follows: —

John D. Hyde deposited $250. Issued certificate of deposit to the order of himself.

C. M. Madison deposited $1500. Issued certificate of deposit to the order of Clara Brown.

M. White deposited $1500. Issued certificate of deposit to the order of S. C. Graham.

Paying Teller paid out cash to-day as follows: —

Checks and Memos. on Spindle

C. H. Smith & Co.	Checks,	800.00, 2280.00, 37.50
John Stewart & Co.	Checks,	60.00, 22.00
H. B. Clay & Co.	Certified Check,	900.00
H. B. Clay & Co.	Checks,	150.00, 300.00
C. H. Smith & Co.	Checks,	28.50, 3.50, 85.00, 75.00
D. C. Student	Checks,	250.00, 55.00, 60.00, 250.00

Discount Clerk received from the cashier for discount the following notes: —

H. B. Clay & Co. note for $1000, dated January 14, 19----, at 30 days. **Proceeds,** $994.17. Discount, $5.83.

C. G. White Furniture Co. note for $5000, dated November 18, 19---- (last year), at 60 days, signed by F. H. Sherwood & Co. and indorsed by C. G. White Furniture Co., payable at the Third National Bank, New York. Proceeds, $4997.08. Discount, $2.92.

January 16

Paying Teller paid out cash to-day as follows: —

Checks and Memos. on Spindle

C. H. Smith & Co.	Checks,	4.00, 75.00, 100.00, 183.00
D. C. Student	Checks,	37.93, 100.00

Receiving Teller received for deposit, from C. H. Smith & Co., their sight draft (O.K.'d by the cashier), dated January 16, 19----, drawn on the San Francisco National Bank for $79.50. Have entered the amount on the depositor's book. Mailed the draft to the San Francisco National Bank.

Draft Clerk received a check for $200.50, from Reid, Smith & Co., for a New York draft in favor of D. S. Burke. Draft, $200; exchange, 50 cents.

Receiving Teller received remittances to-day from our correspondents as follows: —

Drafts on Spindle

St. Louis Nat'l Bank,	Draft #2996 on the New York City Bank for	3900.00
Kansas City Bank,	Draft #378 on the Third Nat'l Bank of New York for	1500.00
San Francisco Nat'l Bank,	Draft #678 on the New York City Bank for	9000.00

Draft Clerk mailed drafts to the New York National Bank for deposit, as follows: —

St. Louis Nat'l Bank on the New York City Bank,	3900.00
Kansas City Bank on the Third Nat'l Bank, New York,	1500.00
San Francisco Nat'l Bank on the New York City Bank,	9000.00

PART V. APPENDIX

SECTION I. CLEARING HOUSES

272. A Bank Clearing House is an association of banks, organized and conducted under proper rules and regulations, for the purpose of facilitating daily settlements of balances among banks. Most of the trade centers have clearing houses. The banks in small towns clear through those in neighboring cities belonging to the association.

273. The Settling Clerk in a bank is the one who has charge of the clearing house work. He receives during the day the exchanges, consisting of checks, bank drafts, and certificates of deposit. These are assorted according to the banks at which they are made payable, by placing them in different compartments. At the close of the day the exchanges of each bank are summed up, and next morning the exchanges coming in before 10:30 are added to the amount. They are then strapped and their aggregate amounts entered on the clerk's statement, thus: —

No. 3. CHICAGO CLEARING HOUSE

FROM

COMMERCIAL NATIONAL BANK

CLERK'S STATEMENT. ....19.....

	No.	Banks	Dr. Amounts	Receipts
	1	First National Bank	723 149 55	1
	2	Merchants' National Bank	15 900 00	2
	3	Commercial National Bank		3
	4	Merchants' Loan and Trust Co.	89 675 00	4
	5	Corn Exchange National Bank	122 250 75	5
	6	Metropolitan National Bank	90 500 00	6
	7	Hibernian Banking Association	14 800 00	7
	8	Bank of Montreal	10 700 00	8
	9	Union Trust Co.	31 600 00	9
	10	Chicago National Bank	69 950 50	10
	11	Continental National Bank	139 950 00	11
	12	Fort Dearborn National Bank	11 785 00	12
	13	National Bank of the Republic	33 090 00	13
	14	Bankers' National Bank	35 475 00	14
	15	Northern Trust Co.	45 800 00	15
	16	Illinois Trust and Savings Bank	31 750 50	16
			1 466 376 30	

274. Pursuant to custom the settling clerk and his messenger call at the clearing house, with the exchanges. Here the settling clerk presents his credit ticket to the manager, who at once enters it on the Clearing House Proof Sheet.

Credit Ticket

CHICAGO CLEARING HOUSE

BANK No. 3. CHICAGO, ... 19 .....

Credit

Commercial National Bank, $ 1,466,376.30

Amount of exchanges to Clearing House this day per messenger.

.....

Teller.

275. At 11 o'clock the signal is given to "clear," whereupon the messenger delivers the exchanges payable by each bank to the settling clerk of that bank, who receipts for them on the clerk's statement, under "Receipts" (see clerk's statement, page 177).

When the exchanges have all been distributed each settling clerk writes up his statement and ascertains how his bank stands with the clearing house, thus: —

No. 3. CHICAGO CLEARING HOUSE

COMMERCIAL NATIONAL BANK

SETTLING CLERK'S STATEMENT ..... 19 .....

Debit Balance	No.	Banks	Credit Balance	Banks Debit	Banks Credit	No.
	1	First National Bank		723,149.55	525,950.00	1
	2	Merchants' National Bank		15,900.00	9,780.00	2
	3	Commercial National Bank				3
	4	Merchants' Loan and Trust Co.		89,675.00	49,965.00	4
	5	Corn Exchange National Bank		122,250.75	140,156.30	5
	6	Metropolitan National Bank		90,500.00	38,330.00	6
	7	Hibernian Banking Association		14,800.00	10,750.00	7
	8	Bank of Montreal		10,700.00	8,090.00	8
	9	Union Trust Co.		31,600.00	45,000.00	9
	10	Chicago National Bank		69,950.50	50,700.00	10
	11	Continental National Bank		139,950.00	75,760.50	11
	12	Fort Dearborn National Bank		11,785.00	14,800.00	12
	13	National Bank of the Republic		33,090.00	22,900.75	13
	14	Bankers' National Bank		35,475.00	30,000.00	14
	15	Northern Trust Co.		45,800.00	29,500.00	15
	16	Illinois Trust and Savings Bank		31,750.50	30,750.00	16
Total Clearings		Footings		1,466,376.30	1,082,432.55	
		Balance			383,943.75	
		Proof			1,466,376.30	

NOTE. — The *Debit Balance* column, in the settling clerk's statement, is for the balances due to the clearing house. The *Credit Balance* column is for the balances due from the clearing house. The *Banks Debit* column contains the amounts of exchanges which the Commercial National Bank brings and delivers to the other banks; these should agree with the amounts on the clerk's statement (page 177). The *Banks Credit* column contains the amounts of exchanges which the Commercial National Bank receives from other banks.

276. If the total of the "Banks Credit" is in excess of the "Banks Debit," the bank in question owes the clearing house, but if the total of the "Banks Debit" is in excess, the clearing house owes the bank. When the balance is determined the settling clerk at once fills out a balance ticket showing the aggregate amounts brought and received, together with the balance, and presents the ticket to the manager for settlement.

BALANCE TICKET

No. 3. CHICAGO CLEARING HOUSE, ... 19....

Amount Received, $ 1 082 432 55
Amount Brought, $ 1 466 376 30

Debit $ [ ] Balance Due Clearing House.

Credit Balance Due Commercial National Bank, $ 383 943 75

....., *Settling Clerk.*

277. When the manager has received all the balance tickets he proves the Clearing House Proof Sheet, and if it is correct the settling clerks are dismissed. The banks which have debit balances are given until 12.30 (except Saturdays, when it is 11.30) to pay these balances to the manager, who afterward pays the credit banks their balances.

CLEARING HOUSE PROOF

CHICAGO, ... 19....

Settlement	No.	Banks	Balance Due to Clearing House	Banks Dr.	Banks Cr.	Balance Due to Banks	No.	Settlement
	1	First National Bank					1	
	2	Merchants' National Bank					2	
	3	Commercial National Bank		1082 432 55	1466 376 30	383 943 75	3	
	4	Merchants' Loan and Trust Co.					4	
	5	Corn Exchange Nat. Bank					5	
	6	Metropolitan National Bank					6	
	7	Hibernian Banking Association					7	
	8	Bank of Montreal					8	
	9	Union Trust Co.					9	
	10	Chicago National Bank					10	
	11	Continental National Bank					11	
	12	Fort Dearborn National Bank					12	
	13	National Bank of the Republic					13	
	14	Bankers' National Bank					14	
	15	Northern Trust Co.					15	
	16	Illinois Trust & Savings Bank					16	

278. Passage of a Check from the maker through the banks and the clearing house.

1. A gives to B a check for $200 on the First National Bank of Chicago.

2. B deposits the check in his bank (Commercial National Bank of Chicago) by presenting it at the window of the receiving teller.

3. The receiving teller, after entering the amount of the check in B's Pass Book, passes the check to the clearing house department, and also passes the deposit ticket to the individual bookkeeper.

4. The individual bookkeeper credits B's account with the amount of the check, from the deposit ticket.

5. The clerk in the clearing house department files the check in the compartment of the First National Bank, and registers it under the proper name, either in a book or on a slip through a registering machine. The check is then strapped in with the other checks on the First National Bank, ready to be taken to the clearing house.

6. At the clearing house the package is handed to the settling clerk of the First National Bank, who receipts for it on the clerk's statement of the Commercial National Bank. (See page 177.)

7. The settling clerk of the First National Bank, upon his return, assorts what he has received at the clearing house, according to the bookkeepers, and enters the exchanges in a book to prove that the amount charged to his bank is correct. The exchanges are then passed on to the individual bookkeepers.

8. The individual bookkeeper of the First National Bank passes the check on to the paying teller, who "passes on it" and, finding the check genuine, returns it for entry. When the check is returned, the individual bookkeeper charges A's account with the amount and passes the check on to the statement clerk.

9. The statement clerk records the amount on the monthly statement of the maker and passes the check on to the filing clerk.

10. The filing clerk files the check in a drawer with the other cashed checks of the maker. The check is then ready to be returned to the maker (A) whenever his Pass Book is left at the bank to be balanced.

279. Passage of a Bank Draft from the drawer through the banks and the clearing house.

1. A wishes to send B in Buffalo a New York draft for $500.

2. A draws a check for the amount to the order of his bank, First National of Chicago. He presents the check with a draft requisition, properly filled out, to the draft clerk.

3. The draft clerk enters the draft requisition, issues the draft on the Chemical National Bank of New York, and gives it to A with the requisition, with instruction to take it to the cashier to be signed.

4. The cashier after signing the draft returns it to A, and places the requisition on a spindle for the general bookkeeper.

5. The general bookkeeper credits the draft requisition to the account of the Chemical National Bank.

6. A indorses the draft to B and mails it to Buffalo.

7. B deposits the draft in his bank (Buffalo National Bank).

8. The Buffalo National Bank credits B's account with the amount of the draft, which it mails to its New York correspondent, Second National Bank of New York, charging it with the amount.

9. The Second National Bank credits the Buffalo National Bank with the draft, and presents the draft the next morning at the clearing house, where it is passed on to the settling clerk of the Chemical National Bank.

10. The Chemical National charges the draft to the First National Bank of Chicago, their correspondent, and mails it with others to the drawer (the First National Bank of Chicago).

SECTION II. THE VOUCHER SYSTEM

280. The Voucher System makes use of a special form of receipt known as a voucher in connection with each disbursement or payment of money.

In order to be complete this system must make use of the voucher blanks and a Voucher Register, together with a regular set of books; many houses, however, omit the register.

281. The Vouchers are printed and ruled to suit the requirements of the business. Some firms have printed on their vouchers the names of many representative accounts which are likely to be chargeable, and amounts are charged on the Cash Book direct to these accounts when no account is desired with the person or firm in whose favor the voucher is made. The unpaid vouchers are filed alphabetically in a drawer and are not folded until ready to be paid, but when receipted they are folded and filed numerically in boxes for future reference.

NOTE. — Large houses have their Cash Books ruled to order, having as many columns as desired on the credit side and on the debit side, for representative accounts, thereby curtailing the work of posting. The total amount of each of these columns is posted usually at the end of the month; but daily in a house whose head bookkeeper keeps a separate (private) set of books. The number of each voucher is entered as part of the explanation in the Cash Book and also in the Ledger when posting.

Voucher

FACE

BURRY MNFG. COMPANY

c. *Voucher No. 1.*

To PICKANDS, BROWN & Co.,
Chicago.

$650.75

For month of December, 1901.

CHARGEABLE

Factory Expense		
General "		
Traveling "		
Material	650	75
Voucher %		
Labor		
Paymaster		

PAID AS FOLLOWS:

Date, Jan. 3	Check No. 1	650	75
Voucher	Contra Acct.		
Reg. Page 1	Total	650	75

ATTACH HERE

BURRY MNFG. COMPANY, Chicago, Ill.

Chicago, January 3, 1902.

To PICKANDS, BROWN & Co., *Chicago.*

Dec.	29	Per Invoice rendered		500	00	
"	30	" " "		150	75	
						650 75

Examined and found Correct.
J. C. Merrill,
Auditor.

Approved for Payment.
M. A. Burry,
President.

RECEIVED January 3, 1902, of the BURRY MNFG. Co., Six hundred and fifty $\frac{75}{100}$ DOLLARS, in full of the above Account.

$650.75. PICKANDS, BROWN & Co.
C. S.

INSTRUCTIONS. — Please date and sign this Voucher and return without delay to above address. If amount is not satisfactory, return without alteration for correction.

282. Invoices. — When vouchering invoices give each date and amount, and if any discount or credit is allowed deduct it on the voucher. Many firms have the invoices and statement pasted on the voucher, and others file them. The invoices are generally vouchered and recorded in the Voucher Register on the last day of the month, unless they are paid or discounted during the month.

283. The Voucher Register contains a record of each voucher, consecutively, beginning with number 1. The book is classified as a Book of Original Entry, therefore it must contain debits and credits methodically arranged for posting to the Ledger. The special columns of accounts chargeable (debits) are arranged and named as the business requires.

Arranged in this form, the book proves of great value in a large firm or corporation, and it enables some firms to dispense with the Journal. However, the advantage of a Voucher Register depends greatly upon the line of business engaged in, and upon whether the firm discounts or pays all bills promptly when due.

In posting, the voucher number should be written as explanation, in the Ledger accounts.

There are various forms of the Voucher Register. The one illustrated on page 183 dispenses with the Journal, if desired.

NOTE. — When vouchering Journal entries — *i.e.* the miscellaneous entries that require no cash vouchers — write the entry and the full explanation on the inside of the voucher, in the same manner as though it were a Journal, leaving the receipt form blank, and on the face of the voucher write again the name of the account which is to be credited, or the word "Sundries" if there are more than one credit. These vouchers are then folded and filed numerically in a box by themselves, apart from the cash vouchers.

284. The uses of the various columns in the Voucher Register shown on page 183 are as follows : —

1. "Distribution of Credits." — These columns contain all the credits.

A. The Accounts Payable columns contain the amounts due to creditors.

(1) The Cash column contains the amounts which are not to be credited to the persons or companies in whose favor the vouchers are made, because no accounts have been opened with them. When the cash is paid to such persons and companies, they are not debited, but the amounts are instead charged on the Cash Book direct to the representative accounts.

(2) The Credit column contains the amounts which are to be credited in the accounts of the creditors.

B. The Sundry Accounts column contains the miscellaneous credits — that is, the amounts which can not be classed under Accounts Payable. (See Journal Voucher number 1, p. 183.)

2. "Distribution of Debits." — These columns contain all the debits (equal to the credits in the Credit and Sundry Accounts columns). The total amount of each of the columns (with the exception of the Sundry Accounts column, whose amounts are posted daily) is posted at the end of the month, when the Ledger page number is written under each column.

3. "Record of Settlements." — This part of the register is used merely as a reference showing when the amounts are paid.

NOTE. — Frequently large corporations prefer not to open accounts with any of their creditors; when such is the case the Accounts Payable column is not subdivided into "Cash" and "Credit," nor are its items posted separately, but the total amount of the column is posted at the end of the month to the credit of Accounts Payable account; and in the Cash Book the total amount of the Accounts Payable column is posted at the close of the day or month to the debit of Accounts Payable account. Thus the Accounts Payable account will show the balance due creditors.

EXERCISES. — For practice in the use of the voucher system forms, the student should use the transactions of Set IV, — the business of the C. G. White Furniture Co. The books required are Check Book, Deposit Book, Bill Book, Sales Book, Cash Book, Journal, Voucher Register, Ledger, and 50 voucher blanks. The student may rule his own Voucher Register according to the specimen page, allowing five pages for the book. As there are so few petty cash disbursements, a voucher should be made out for each disbursement.

Voucher Register

Cash Voucher No.	Journal Voucher No.	Date Recorded 1902	Name	Explanation	Ledger Page	P. C.	Distribution of Credits: Accts. Payable Cash	Accts. Payable Credit	Sundry Accounts	Distribution of Debits: Material	Factory Expense	General Expense	Sundry Accounts: Name	Ledger Page	P. C.	Amount	Record of Settlements: Cash Voucher No.	Journal Voucher No.	Date Paid	Amount	Our Ch'k No.	Contra Account
1		Jan. 2	Pickands, Brown & Co.	Invoices, 12/29, 30	139	✓		650 75		650 75							1		Jan. 3	650 75	100	
2		" 2	Reid Smith & Co.	Invoices, 1/2	C.B.		37 50										2		" 5	37 50	101	
3		" 15	Paymaster	Pay Roll Jan. 1 to Jan. 15	54	✓		1560 00			700 00	600 00	Labor	50	✓	260 00	3		" 15	1560 00	102	
4		" 16	American Bridge Works	Invoices, 1/2, 2, 3	75	✓		975 00		975 00							4			975 00		
5		" 16	Fuller & Fuller	Invoices, 1/4, 5	101	✓		175 00				175 00					5		Jan. 16	175 00	103	
	1	" 31	D. M. Murray & Co.	30-day note	365	✓			275 00				Bills Rec.	35	✓	275 00		1		275 00	✓	
6		" 31	Petty Cash	For January	45	✓			35 00	5 50		29 50					6		Jan. 31	35 00	✓	
7		" 31	Paymaster	Pay Roll Jan. 15 to Jan. 31	54	✓		2500 00			750 00	900 00	Labor	50	✓	850 00	7		" 31	2500 00	104	
8		" 31	N. L. Burry & Co.	Invoice Jan. 30	96	✓		350 75		250 00	75 00		Freight	42	✓	25 75	8			350 75		
9		" 31	C. W. Wells	Overcharge on invoice 1/15	99	✓		4 75					Sales	30	✓	4 75	9			4 75		
10		" 31	Voucher %	Diebold Safe Co., on %	35	✓			100 00				Diebold Safe Co.	47	✓	100 00	10		Jan. 31	100 00	105	
							37 50	6216 25	410 00	1881 25	1525 00	1704 50				1515 50				6663 75		
										25	21	29										

NOTE. — Cash Voucher # 3. — Sometimes the Pay Roll is divided in order that it may be charged to different representative accounts. Hence voucher # 3 credits Paymaster account and debits the representative accounts. And on the Cash Book Paymaster account is debited with the amount paid out for the Pay Roll.

NOTE. — Cash Voucher # 6. — When using voucher blanks in large houses it is customary to voucher, either daily or monthly, the Petty Cash disbursements, writing the names of the accounts and their totals in one voucher. Therefore, Cash Voucher # 6 credits Petty Cash account and debits the respective accounts to which the items are chargeable; and on the Cash Book the Petty Cash account is debited as per the Petty Cash Book.

NOTE. — Cash Voucher # 10. — The Voucher account contains a record of the Cash vouchers whose amounts are for paying the firm's notes, to apply on account, or for which no credit has been made in the account of the person or company in whose favor the voucher is made. The account is credited from the Voucher Register as such vouchers are recorded, and debited from the Cash Book as they are paid. This account is not required if the company pays its bills promptly.

SECTION III. THE SAFEGUARD ACCOUNT SYSTEM

285. The Safeguard Account System consists of a complete set of books, of which the Journal, Cash Book, and Ledger are patented and copyrighted as to their rulings, etc.

The theory of the system is the same as that explained in this text-book, the distinctive feature consisting of some of the rulings, which are designed to do away with the monthly trial balance. The rulings of one of the Ledgers are arranged so that the name of the account, instead of being at the top of the page, is at the left-hand side. The Deposit Ledger on page 164 is somewhat similar to a Safeguard Ledger, except that the days of the month, instead of being printed at the top of the page, are usually next to the debits and credits in the space above each account. The space allowed for an account is only for one month's business, as indicated by the name of the month at the top of the page.

The books can be proved to balance the last day of each month by footing the columns of the Books of Entry and making the summary in a private ledger, ruled for that purpose.

SECTION IV. THE CARD LEDGER SYSTEM

286. The Cards in the Card Ledger System take the place of a book ledger. They are printed and ruled to order, and can be filed alphabetically, geographically, or numerically.

5

NAME — Account No.

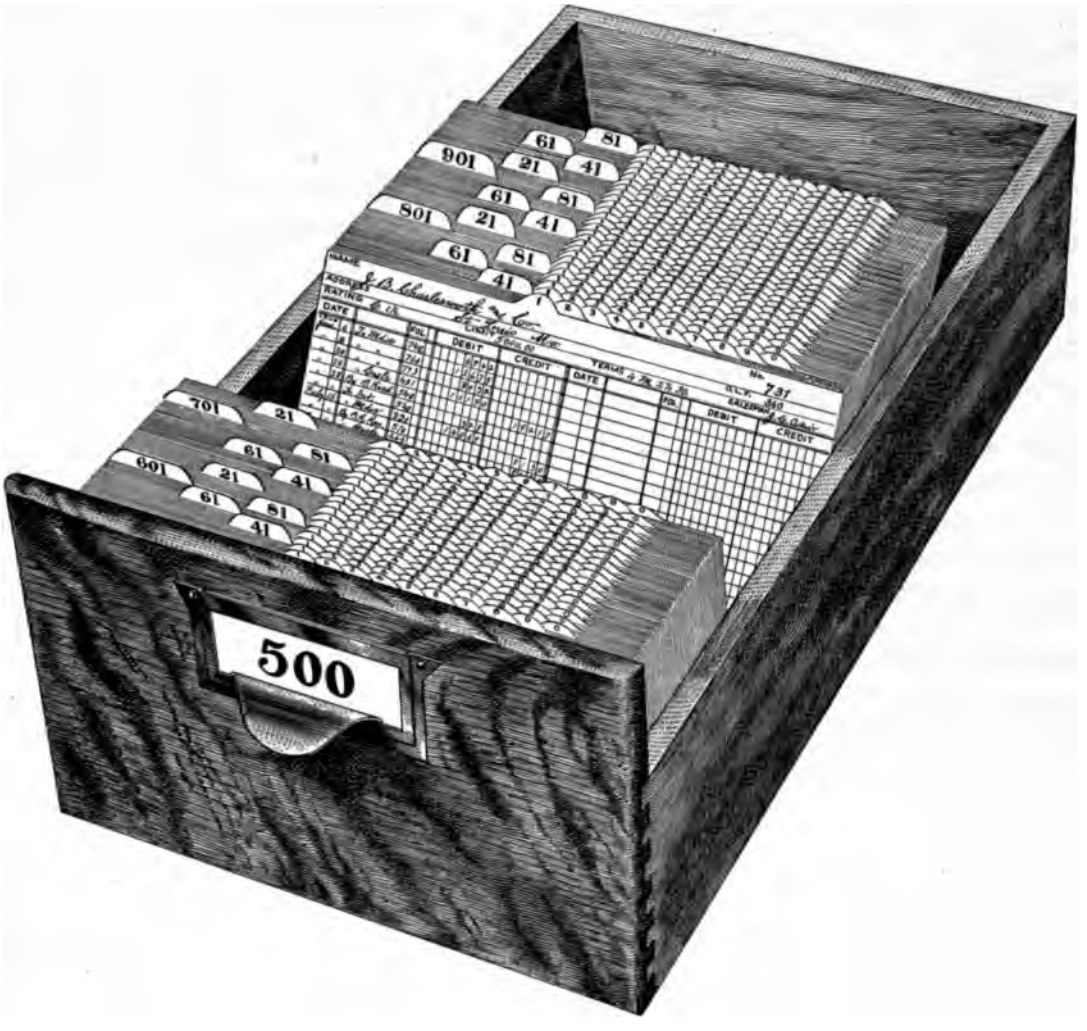
ADDRESS

RATING — REMARKS — Card No.

Date	Description	Fol.	✓	Debit	Date	Description	Fol.	✓	Credit

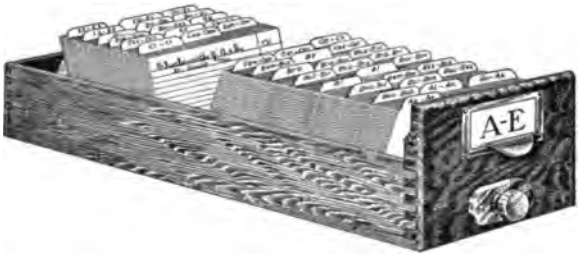
O

287. The Files vary in size, usually holding from 500 to 1000 cards. The numerical system of filing is used most extensively. In this system the accounts are numbered, and when an account requires more than one card, new ones are placed next to the original, and marked "Card No. 2," etc.



288. The Guide Cards in a file project above the others at the left end, and are of a color different from that of the Ledger Cards. In the numerical system the guide cards show the hundred series and the ten series, while the Ledger Cards designate the unit series. When the cards are arranged geographically, the guide cards designate the states and towns, and when the arrangement is alphabetical, the guide cards show the letters of the alphabet.

289. The Index. — In the numerical system a Card Index is used to show the number of each account. No card index is required in either the geographical or the alphabetical system.



290. Posting. — Posting to the Ledger Cards is done in the same way as to a bound book. The cards to which entries are to be posted are taken from the file by the bookkeeper, or in large houses by a filing clerk. Great care must be exercised in properly filing the cards. A disarrangement of cards in the numerical system is easily detected because the last figure (unit series) of each number is printed on a projecting part of the Ledger Card. (See illustration on page 184.)

291. The accounts may be divided among two or more files. In large houses the accounts are divided into numerous files, thereby facilitating the work whenever statements and trial balances are drawn off. The accounts may be classified as follows: Customers' Accounts, Purchase Accounts, Doubtful Accounts, Closed Accounts, and General Accounts. The General Accounts are usually the representative, partners', and traveling agents' accounts.

NOTE. — The card system is used for various records besides the Ledger. It is well adapted to keeping record of the stock, cost of goods manufactured, quotations, subscriptions, catalogues, circulars, contracts, etc. The best method of filing depends upon the class of cards and the line of business engaged in.

SECTION V. THE LOOSE-LEAF LEDGER

292. The Loose-leaf Ledger is used by some large houses in place of a bound book.

293. The Sheets may be ruled to order suitable for the business. The sheets of the General Ledger are usually ruled with two money columns, "Charges" and "Credits," while those of the Customers' and Purchase Ledgers may have three columns, called "Charges," "Credits," and "Balance." The Balance column is generally ruled in the center of the page between the debit and credit columns. In this special column the balance of an account can be noted after each entry, if desired, or at the end of each month.

294. Whenever a balance in the Customers' Ledger happens to be a credit, it is indicated in red ink instead of black ink. A similar rule obtains in the Purchase Ledger when an account shows a debit balance.

General Ledger

SHEET NO. ACCOUNT NO.
NAME
TERMS ADDRESS

	Date		Folio	Ck.	Charges	Date		Folio	Ck.	Credits

Customers' or Purchase Ledger

SHEET NO. ACCOUNT NO.
NAME
TERMS ADDRESS

	Date		Folio	Ck.	Charges	Balance	Credits	Ck.	Folio		Date

295. The Binders. Each Ledger has usually two binders, one called "Current Binder" and the other "Transfer Binder." The latter contains all the sheets of the accounts that are closed. A key is furnished with each binder to fasten the sheets securely.

296. The Filing. The sheets, as they are filled out, are filed alphabetically in their special binders. Each binder has a finger index.

SECTION VI. GLOSSARY OF BUSINESS TERMS

Acceptance. — The act of the drawee writing his signature on the face of a draft or bill of exchange, and thus promising to pay; the paper itself when thus indorsed.

Accommodation Paper. — A note signed or a draft accepted to enable the payee or drawer to raise money by discounting it; the maker or drawee receives none of the proceeds and there is in reality no "value received."

Account Current. — An open account, not balanced.

Account Sales. — A written statement from a commission merchant giving the results of the sale of a consignment.

Accountant. — One who is skilled in bookkeeping.

Acknowledgment. — A receipt; formal admission.

Appraisal. — The act of estimating a value.

Assets. — The property of an individual or company, including all the real and personal property, debts, and obligations due him or it.

Assignment. — A transfer of the title to property. Sometimes used in the sense of the general assignment made by a bankrupt for the benefit of his creditors.

Attachment. — A written instrument by which a defendant's property is brought into custody of the law.

Auditor. — One who examines accounts and ascertains their correctness.

Balance. — The difference between the two sides of an account.

Balance Sheet. — A specially ruled sheet which when filled in shows the exact condition of a business.

Bank Book. — Deposit Book; Pass Book; a book containing a record of one's deposits in a bank, the entries being made by the bank, but the book being kept by the depositor.

Bankrupt. — A person who has failed in business; insolvent.

Bill. — A written statement of goods sold or of services rendered.

Bill of Exchange. — A draft.

Bill of Sale. — A written instrument showing the transfer of personal property, such as furniture and merchandise.

Board of Trade. — An association of merchants organized for the mutual benefit of certain commercial interests.

Bond. — A document by which a person binds himself conditionally or unconditionally to pay a certain sum of money; often given as security for the performance of a contract. A corporation bond is generally a fractional part of its interest-bearing obligations, secured by mortgage.

Bonded Goods. — Goods kept for a time in a custom-house or bonded warehouse, and subject to duty, the payment of which is secured by bonds.

Bonus. — An extra amount paid in addition to the stated price.

Capital Stock. — The amount for which a corporation is incorporated.

Capitalist. — One who makes a business of loaning and investing his money.

Cartage. — Charges for local transportation of goods.

Charge. — To debit an account; to fix as a price.

Check. — An order on a bank for money, made by a depositor.

Collateral. — Property placed in the possession of a creditor as security for the payment of a debt.

Commerce. — The exchange of commodities between different countries or between different parts of the same country.

Commercial Paper. — Paper that is used in commerce in

place of money, as notes, drafts, and bills of exchange.

Commission. — A charge made by an agent, stock broker, or a commission merchant as his compensation for selling or buying certain property — reckoned either as a percentage of the price or as a fixed charge per unit of quantity.

Company. — Several persons associated in the transaction of business; a corporation or firm.

Consignee. — One to whom goods are consigned.

Consignment. — Goods sent to an agent or a commission merchant to be sold at the shipper's risk.

Consignor. — One who sends a consignment.

Corporation. — A company of persons organized, in accordance with a special law of the state, under a charter granted by the constituted authority.

Creditor. — One to whom a debt is owed.

Customhouse. — A government office where duties are collected on goods imported.

Customhouse Broker. — A person who represents importers at the customhouse.

Days of Grace. — A period of three days added by law in some states to the time specified in a note or draft.

Debtor. — One who is indebted to another person.

Demand (notes). — Due when presented.

Deposit Book. — Bank Book.

Dividend. — Part of the profits of a corporation distributed among its stockholders.

Draft. — A written order drawn by one party on a second to pay a certain sum to a specified person or company (the payee).

Drawee. — The person on whom a draft is drawn.

Drawer. — The person who draws a draft.

Duebill. — A written acknowledgment of a debt that is due.

Duty. — A tax laid on foreign goods entering the country.

Equity. — An owner's interest in mortgaged property.

Exchange. — Bank charges for collection on checks and drafts. A general term for bills of exchange, drafts, checks, etc.

Exporter. — One who ships goods to another country.

Express Charges. — Charges made by an express company for transportation.

Free Trade. — Trade unrestricted by duties.

Freight Charges. — Charges made by a railroad or other carrier for transportation.

Firm. — A partnership.

Fiscal. — Pertaining to a treasury, as the fiscal (financial) year.

F.O.B. — Free on board; that is, with no charges for transportation to the place mentioned.

Fund. — A sum or sums of money set aside for a special purpose, as Surplus Fund or Sinking Fund.

Goods. — Furniture, groceries, textiles, and other merchandise bought and sold in trade.

Good Will. — The established trade of a business; the tendency of its customers to continue to buy of the same firm. The good will of an old and prosperous business is sometimes a large asset.

Gross Sales. — In the commission business, the amount for which a consignment is sold.

Guaranty. — A warrant that a debt will be paid or a duty performed; an agreement by a third party that he will himself be responsible for the debt or performance in case of default by the original debtor or contractor.

Importer. — One who has goods brought in from a foreign country.

Indemnity. — A reimbursement for loss or damage.

Infringement. — Act of violating the right of another, as in a patent or copyright.

Insolvency. — The condition of a person or company whose assets are less than the liabilities.

Installment. — A part payment of a debt.

Inventory. — An itemized record of property on hand valued at its present or cost price. Sometimes applied likewise to a statement of expenses incurred and not yet paid or charged on the books.

Invoice. — An itemized statement of goods sold to a customer.

Jobber. — A merchant who buys from importers, wholesalers, or manufacturers, and sells to retailers.

Joint Stock Company. — An unincorporated stock company, the stockholders of which are individually liable as in a partnership.

Judgment. — The decision of a court; a document by which the court declares a certain sum to be due from one litigant to the other.

Lease. — A contract granting the use of real estate for a specified time.

Letter of Credit. — A letter authorizing certain banks to allow a person credit for the amount specified therein, and to charge the payments to the account of the bank issuing the letter.

Liabilities. — The debts of a business.

License. — Permission to sell, or to engage in a certain line of business.

Lien. — A legal claim for which a person's property may be held until the claim is settled.

Manifest. — Itemized statement of a ship's cargo.

Mercantile Agency. — A firm or corporation engaged in ascertaining for its subscribers the financial status of business houses.

Merchandise. — A collective term for the articles which a merchant buys or manufactures for sale.

Money Order. — An order for the payment of money by a post office or an express company.

Mortgage. — A written document pledging certain property as a guaranty for the payment of a debt.

National Banks. — Banks governed under acts of Congress and controlled by the federal government.

Negotiable. — Transferable by delivery or indorsement.

Notary Public. — An officer authorized to take a person's acknowledgment of his signature to certain documents, and to protest commercial paper.

Overdraft. — The balance overdrawn at a bank.

Partnership. — Two or more persons associated in a business enterprise on terms arranged by contract.

Par Value. — Face value; the value specified.

Pass Book. — Bank Book.

Premium. — The amount above par value; the percentage paid for insurance.

Pro Rata. — In proportion; according to the interest of each.

Protest. — A legal notice of nonpayment of a note, draft, or check.

Protective Tariff. — Duties arranged to give home manufacturers an advantage over foreign manufacturers in the markets of a country.

Rebate. — Money refunded.

Receiver. — A person appointed by the court to take charge of the affairs of an insolvent person or company, and to make settlement in accordance with the court's suggestion.

Remittance. — Money sent from one place to another.

Requisition. — A demand made on the main office of a business house by a department for goods or material that it requires.

Salvage. — An allowance made for the saving of wreckage.

Sinking Fund. — A fund established and usually increased regularly in such manner that it will be large enough to meet a certain bond or other indebtedness when it becomes due.

Solvency. — Ability to pay all debts.

Statement. — A copy of a personal account.

Stock Account. — The investment account of a partner or original stockholder in a business.

Stock Book. — An auxiliary book showing a complete record of all the stock or merchandise on hand.

Stock Broker. — One who deals in stocks and bonds on a commission.

Stock Exchange. — An association of brokers and others who deal in stocks and bonds.

Syndicate. — A company of capitalists organized to conduct a special business enterprise.

Tariff. — A list of duties.

Teller. — A bank clerk who receives or pays out money.

Trial Balance. — A statement of the debit and credit balances of a Ledger.

Usury. — A charge for interest in excess of the legal rate.

Voucher. — A specially printed form of receipt used by a corporation; any receipt, note, check, or other paper which gives evidence of the payment of money, or authority for an entry.

Waybill. — A bill used by transportation companies to describe goods in transit.

SECTION VII. SIGNS AND ABBREVIATIONS

@	At; To.	C.H.	Courthouse; Custom-house.	hf.	Half.
¢	Cent; Cents.	ck.	Check.	hhds.	Hogsheads.
$	Dollars.	c/o	In care of.	in.	Inch; Inches.
%	Per cent.	Co.	Company.	Ins.	Insurance.
′	after a figure, Feet.	C.O.D.	Cash on delivery.	Inst.	Present month.
″	after a figure, Inches.	Com.	Commission.	Int.	Interest.
#	after a figure, Pounds.	Const.	Consignment.	Inv.	Invoice.
#	before a figure, Number.	Cr.	Credit; Creditor.	Invt.	Inventory.
% or acct.	Account.	cs.	Cases.	I.O.U.	I owe you.
Acct. Cur.	Account current.	cts.	Cents.	J.	Journal.
Agt.	Agent.	cwt.	Hundredweight.	lb.	Pound; Pounds.
Amt.	Amount.	cy.	Currency.	L.F.	Ledger folio.
Ans.	Answer.	Dept.	Department.	Mdse.	Merchandise.
App.	Appendix.	dft.	Draft.	Memo.	Memorandum.
Asst.	Assistant.	do.	Ditto; the same.	No.	Number.
Bal.	Balance.	doz.	Dozen; Dozens.	N.O.	New Orleans.
bbls.	Barrels.	Dr.	Debit; Debtor.	oz.	Ounce; Ounces.
bdls.	Bundles.	ea.	Each.	Payt.	Payment.
bgs.	Bags.	E.E.	Errors excepted.	P.C.	Posting check.
bkts.	Baskets.	E. & O. E.	Errors and omissions excepted.	pcs.	Pieces.
bls.	Bales.			pkgs.	Packages.
B/L	Bill of lading.	Esq.	Esquire.	Recd.	Received.
B.O.	Back order.	etc.	et cetera; and so forth.	R.R.	Railroad.
Bot.	Bought.	Exch.	Exchange.	S.	Sales Book.
B/S	Bill of sale.	Exp.	Expense; Express.	Shipt.	Shipment.
bus.	Bushel; Bushels.	F.O.B.	Free on board.	Sund.	Sundries.
bxs.	Boxes.	fol.	Folio.	Ult.	Last month.
C.	Cash Book.	Frt.	Freight.	W.C.	White C.
Cash.	Cashier.	ft.	Foot; Feet.	Y.C.	Yellow C.
C.B.	Cash Book.	gal.	Gallon; Gallons.	yds.	Yards.

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